THE FREEMAN

IDEAS ON LIBERTY

Who Should Support the Arts?

Equal: But Not the Same

Entrepreneurs and the State

Mom's Monopoly

APRIL 1988

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IDEAS ON LIBERTY

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CONTENTS
APRIL
1988
VOL. 38
NO. 4

124 Equal: But Not the Same
Edmund A. Opitz
A look at economic and political equality.

131 Mom's Monopoly, Part I
Susan J. Osburn
A mother teaches her 14-year-old son some basic economics.

133 Entrepreneurs and the State
Burt Folsom
Federally aided firms rarely outperform those who have to succeed on their own merits.

136 The Myth of Japanese Industrial Policy
C. Brandon Crocker
The reasons behind Japan's postwar boom.

140 Who Should Support the Arts?
Melvin D. Barger
Sustaining culture through voluntary, peaceful means and processes.

146 Public Funding for the Arts: Diamond or Daub?
Eugenie Dickerson
What happens when the government becomes patron of the arts?

148 Freedom Footnote
Paul Rux
A lesson from a most unexpected source.

149 Some Thoughts on Discrimination
George C. Leef
A free economy, open to all, would obviate the need for anti-discrimination laws.

154 The Job Abacus: No Guide to Public Policy
James E. McClure and T. Norman Van Cott
Counting jobs yields irrelevant answers.

156 Government Regulation of Air Safety May Be Hazardous to Your Health
John Semmens
Do more crowded skies lead to less safety?

159 A Reviewer's Notebook
John Chamberlain
A review of "Wedemeyer on War and Peace," edited by K. E. Eiler.

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PERSPECTIVE

Taken for Granted

There is a sense in which being taken for granted is a compliment. A person who takes me for granted has assumed my reliability, trustworthiness, and competence. I have been perceived not as a variable—the fickle subject of random change—but as a constant.

But being taken for granted can also irk. It can be perceived as indifference, as a lack of interest or concern. Indeed, a person who habitually takes another for granted, never expressing appreciation of that person's activities, runs the risk of jeopardizing the very relationship he or she values.

Many today take the productive genius of the free market for granted. They assume a bountiful supply of goods and services, and devise elaborate schemes to secure a "fairer" distribution. Burdensome regulations are placed on those creating wealth. In the name of compassion, market prices are overruled.

But in so doing, the market is fettered and its subtle operations flounder. Information signalled by changing market prices is distorted. Labor, capital, and raw materials are misallocated. The material abundance cavalierly taken for granted is threatened.

The productive capacity of a free market in one sense can be taken for granted. The market can be relied upon, trusted, and thus "assumed." Yet when this reliance leads to policies which defy the economic laws governing the market, or to a disregard of the moral values the market presupposes, the ultimate destruction of what has been taken for granted is guaranteed.

—John K. Williams

The Underclass

What prevents men and women in the inner city from advancing is not racism and not a lack of government programs. We have had, in recent years, more government programs and less racism than ever before—yet the underclass has been multiplying at an ever more rapid pace. For any group to advance, what is required is self-discipline, deferring immediate

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gratification for long-run goals, and a willingness to commit oneself to hard work. The dramatic strides made by recent immigrants from Southeast Asia—who possess such a value system—indicate that difference of race, language and culture is no impediment to progress.

Black organizations and leaders should be asking themselves how they can assist in promoting such a value system among young people in the inner city. Instead, they continue to speak of more programs, more government spending, and more of the very things which have grown precisely as the underclass has grown. Needless to say, many of those who advocate such counterproductive public policy have a vested interest in such programs. They may be helping themselves, but they have not been helping the pregnant teenagers, the illegitimate children, the one parent families and the young people caught in a dead end of drugs and crime in whose name they speak.

For many years, the black civil rights establishment succeeded in intimidating other Americans, black and white, from confronting the growing inner-city underclass. The fear of being called "racist" was enough to silence many. Yet, today, the explosion of illegitimate births and crime—of drug addiction and every form of social pathology—can no longer be ignored. Finally, it is on the national agenda for discussion and debate.

—J. A. Parker, Editor
Lincoln Review

Freedom to Move

The greatest danger to the country, to individual employees and to the companies involved is governmental policies that tend to lock companies and employees in place rather than encourage the expeditious movement of personnel and capital out of declining industries and into the new, evolving growth industries.

—Martin Stone, Chairman
Monogram Industries

Russian Humor

You can tell a lot about a country from its humor. Here is a joke which is making the rounds in the Soviet Union:

A man goes to buy a car. He puts down his money and is told by the clerk that he can expect delivery in exactly ten years.

"Morning or afternoon?" the purchaser asks. "Ten years from now, what difference does it make?" replies the clerk.

"Well," says the car buyer, "the plumber's coming in the morning."

—*The New York Times,* August 21, 1987

Good Questions

Is there a compelling national interest in improving gourmet salads? Congressman Silvio Conte of Massachusetts, the ranking Republican on the House Appropriations Committee, apparently thought so when he earmarked $60,000 for a Belgian Endive Research Center at the University of Massachusetts at Amherst. Is U.S. foreign policy served by the $8 million that Sen. Daniel Inouye of Hawaii, chairman of the Senate Appropriations Subcommittee on Foreign Operations, set aside for a language school for Sephardic Jews in France? Do Alaskan fishermen really need the $2.6 million that Sen. Ted Stevens won to "develop fishery products"? Are America's economic interests truly met by the $6.4 million federally funded Bavarian-style ski resort that Sen. James McClure brought home to spur development in Kellogg, Idaho?

—*Newsweek,* January 18, 1988

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THE FREEMAN
IDEAS ON LIBERTY

Equal: But Not the Same

by Edmund A. Opitz

The real American revolution of two hundred years ago took place in the minds of people; it was a philosophical revolution which evolved a new temper and state of mind. There were some daring assumptions about the nature of the human person, with his Creator-endowed rights, as set forth in the catalog of self-evident truths contained in the Declaration of Independence. The acceptance of these novel truths about the human person led logically to a new conception of government, a theory of right political action radically different from all previous theories of the purposes of government in human affairs.

Government, according to the Declaration, is instituted for one purpose only—to secure every person in his God-given rights. Period. No longer was the State to exercise the positive function of ordering, regulating, controlling, directing, or dominating the citizens. The new idea was to limit government to a negative role in society; government's task is to protect life, liberty, and property by using lawful force against aggressive and criminal actions. Government would discipline the anti-social, but otherwise let people alone. The law was to apply equally to all; justice was to be impartial and even-handed.

Along with the words Life, Liberty, and Property, the word Equality has a prominent place in the political vocabulary of American thought.

The Reverend Mr. Opitz is a member of the staff of The Foundation for Economic Education, a seminar lecturer, and author of the book, Religion and Capitalism: Allies, Not Enemies.

Our Declaration of Independence reads: "We hold these truths to be self-evident, that all men are created equal." Note well that the men who prepared this document did not say that all men *are* equal; they did not say that all men are born equal or *should be* equal, or are *becoming* equal. These several propositions are obviously untrue. The Declaration said: "*created* equal." Now, the created part of a man is his soul or mind or psyche. Man's body is compounded of the same chemical and physical elements which go into the makeup of the earth's crust, but there is a mental and spiritual essence in man which sets him apart from the natural order. Man alone among the creatures of earth is created in God's image—meaning that man has free will, the capacity to order his own actions, and so become the kind of person God intends him to be.

The political theory enunciated in the Declaration is based upon certain assumptions about human nature and destiny which were ingredients of the religion professed by our forebears. It was an article of faith in the religious tradition of Christendom—a culture compounded of Hebraic, Greek, and Roman elements—that man is a created being. To say that man is a created being is to affirm that man is a work of divine art and not a mere accidental by-product of physical and chemical forces. Man is God's property, said John Locke, because He made us and the product belongs to the producer. As an owner, God cares for that which belongs to Him. Therefore, the soul of each person is precious in God's sight, whatever the person's outward circum-

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stances. "God is no respecter of persons." (Acts 10:34) He ". . . makes His sun to rise on good and bad alike, and sends the rain on the honest and dishonest." (Matt. 5:45) Equality before the law is the practical application of this understanding of the nature of the human person. Equal justice means that a nation's laws apply, across the board, to all sorts and conditions of men, regardless of race, creed, color, position, pedigree, income, or whatever. In the eyes of the law, all are alike.

But right there the likeness ends; human beings are different and unequal in every other way; they are male and female, in the first place—and they are tall and short, thick and thin, weak and strong, rich as well as poor, and so on. They are equal in one respect only; they are on the same footing before the law. Equality before the law is the same thing as political liberty viewed from a different perspective; it is also justice—a regime under which no man and no order of men is granted a political license issued by the State to use other men as their tools or have any other legal advantage over them. Given such a framework in a society, the economic order will automatically be free market, or capitalistic. (We are speaking now of the idea of equality in a political context. Later I shall deal with the opposing concept of economic equality, which is incompatible with limited government and the free market.)

Political Equality

Political equality is the system of liberty, and its leading features are set forth in Jefferson's First Inaugural Address: "Equal and exact justice to all men, of whatever state or persuasion, religious or political; peace, commerce, and honest friendship with all nations,—entangling alliances with none. . .freedom of religion, freedom of the press; freedom of person under the protection of the habeas corpus" and so on.

The idea of political equality—equal justice before the law—is a relatively new one. It did not exist in the ancient world. Aristotle opened his famous work entitled *Politics* with an attempted justification of slavery, concluding his argument with these words: "It is clear, then, that some men are by nature free, and others slaves, and that for these latter slavery is both expedient and right."

Plato conceived the vision of a society constructed like a pyramid. A few men are at the top wielding unlimited power; then descending levels of power—the men on each level being bossed by those above and bossing, in turn, those below. On the bottom are the slaves, who outnumber all the rest of society. Plato knew that those in the lower ranks would be discontented with their subservient position, so he proposed a myth to condition them with—in his words—a "noble lie," or an "opportune falsehood." "While all of you in the city are brothers, we will say in our tale, yet God in fashioning those of you who are fitted to hold rule mingled gold in their generation . . . but in the helpers silver, and iron and brass in the farmers and other craftsmen." You know darn well that fraudulent theories of this sort are invented by men who suspect gold in their own makeup!

Hinduism, with its system of castes, provides a contemporary example of a system of privilege. Men are born into a given caste, and that's where they stay; that's where their ancestors were, and that's where their descendents will be. There is no ladder leading from one level in this society to any of the others. Hinduism justifies these divisions between men by the doctrine of reincarnation, arguing that some are suffering now for misdemeanors committed during a previous existence, while others are being rewarded now for earlier virtue. This outlook breeds fatalism and social stagnation. The eminent Hindu philosopher and statesman, S. Radhakrishnan, defends the caste system with a metaphor. He likens society to a lamp and says, "When the wick is aglow at the tip the whole lamp is said to be burning."

Politics—it must be emphasized—rests upon certain assumptions in basic philosophy. We of the West make different philosophical assumptions than do Greek and Hindu philosophers, for we have a different religious heritage than they. The fountain source of the religious heritage of Christendom is, of course, the Bible. The Bible was the textbook of liberty for our forebears, who loved to quote such texts as "Where the spirit of the Lord is, there is liberty," (2 Cor. 3:17) and, "You shall know the

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truth, and the truth shall make you free." (Jn. 8:32) And they turned often to the Old Testament prophets with their emphasis on justice and individual worth.

Let me quote a few lines from an unsigned editorial appearing in the magazine *Fortune* some years ago:

> The United States is not Christian in any formal sense, its churches are not full on Sundays and its citizens transgress the precepts freely. But it *is* Christian in the sense of absorption. The basic teachings of Christianity are in its bloodstream. The central doctrine of our political system—the inviolability of the individual—is the doctrine inherited from 1900 years of Christian insistence upon the immortality of the soul.

It takes a while, centuries sometimes, for a new idea about man to seep into the habits, laws, and institutions of a people and shape their culture. It was not until the eighteenth century that Adam Smith came along and spelled out a system of economics premised on the freely choosing man. Smith referred to his system as "the liberal plan of equality, liberty and justice." The European society of Smith's day was, by contrast, a system of privilege; it was an aristocratic order.

The Rise of Aristocracy

England's aristocratic order did not rise by accident; it was imposed by a conqueror. England's social structure may be traced back to the battle of Hastings in 1066 and the Norman invasion of England. William of Normandy had a claim, of sorts, to the British throne, a claim which he validated by conquering the island. Having established his overlordship of England he parceled out pieces of the island to his followers as payment for their services. In the words of historian Arthur Bryant, "William the Conqueror kept a fifth of the land for himself and gave one-quarter to the Church. The remainder, save for an insignificant fraction, was given to 170 Norman and French followers—nearly half to ten men."[1] In other words, 55 per cent of the territory of England was divided among 170 men, ten of whom got the lion's share, or 27 per cent among them, while 160 men got the rest. This redistribution of England's territory was, of course, at the expense of the Anglo-Saxon residents who were displaced to make room for the new owners. The new owners of England from William on down were the rulers of England; ownership was the complement of their rulership, and the wealth they accumulated sprang from their power and their feudal privileges and dues.

Norman overlordship was a system of privilege. That is to say, the Norman rulers did not obtain their wealth by satisfying consumer demand. Under the system of liberty, by contrast, where the economic arrangements are free market or capitalistic, the only way to make money is to please the customers. Under the various systems of privilege you make money by pleasing the politicians, those who hold power. Either that, or you wield power yourself.

This was a fine system—from the Norman viewpoint; but the Anglo-Saxon reduced to serfdom viewed the matter quite differently. It was obvious to the serf and the peasant that the reason why they had so little land was because the Normans had so much and, because wealth flowed from holdings of land, the Anglo-Saxons reasoned correctly that they were poor because the Normans were rich! It is always so under a system of privilege, where those who wield the political power use that power to enrich themselves economically, at the expense of other people. It makes little difference whether the outward trappings of privilege are monarchical, or democratic, or bear the earmarks of *1984;* in a system of privilege, *political power is a means of obtaining economic advantage*.

When our forebears wrote that "all men are created equal," they threw down a challenge to all systems of privilege. They believed that the law should keep the peace—as peacekeeping is spelled out in the old-fashioned Whig-Classical Liberal tradition, as liberty and justice for all. This preserves a free field and no favor—which is the real meaning of laissez faire—within which peaceful economic competition will occur. The term laissez faire never meant the absence of rules; it doesn't imply a free-for-all. Government, under laissez faire, does not intervene positively to manage the affairs of

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men; it merely acts to deter and redress injury —as injury is spelled out in the laws. This is the system of liberty championed by present-day exponents of the freedom philosophy—whether they call themselves Libertarians, or Conservatives, or Whigs, or whatever.

The Wealth of Nations

Adam Smith's "liberal plan of equality, liberty and justice" was never practiced fully in any nation, but what was the result of a partial application of the ideas of *The Wealth of Nations*? The results of abolishing political privilege in Europe and starting to organize a no-privilege society with political liberty and a market economy were so beneficial that even the enemies of liberty pause to pay tribute.

R. H. Tawney, one of the most gifted of the English Fabians, was an ardent socialist and egalitarian. His most famous work is *Religion and the Rise of Capitalism,* but in 1931 he wrote a book entitled *Equality,* arguing, in effect, that no one should have two cars as long as any man was unable to afford even one. He wished to take from those who have and give to those who have not, in order to achieve economic equality. But he acknowledged that there was an earlier idea of equality—equal treatment under the law. Here is what Tawney writes about the beneficial results of the movement toward political liberty and the free economy in the early decades of the nineteenth century, the movement known as Classical Liberalism:

> Few principles have so splendid a record of humanitarian achievement . . . . Slavery and serfdom had survived the exhortations of the Christian Church, the reforms of enlightened despots, and the protests of humanitarian philosophers from Seneca to Voltaire. Before the new spirit, and the practical exigencies of which it was the expression, they disappeared, except from dark backwaters, in three generations. . . . It turned [the peasant] from a beast of burden into a human being. It determined that, when science should be invoked to increase the output of the soil, its cultivator, not an absentee owner, should reap the fruits. The principle which released him he described as *equality, the destruction of privilege*.[2]

Smith's "liberal plan of equality, liberty and justice" means the practice of political liberty. Now, when people are free politically and legally equal, there will still be economic inequalities. There will continue to be rich and poor, as there have been wealth differentials in every society since history began. But now there's this difference: in the free economy the wealthy will be chosen by the daily balloting of their peers in the marketplace, and the wealthy won't necessarily be the powerful, nor will the poor necessarily be the weak.

Variation is a fact of life; individuals differ one from another. Some are tall and some are short; some are swift and some are slow; some are bright and others are not so bright. The talents of some lie along musical lines, others are athletes, a few are mathematical wizards. Some people in every age are highly endowed with a knack for making money; whatever the circumstances, these people have more worldly goods than others.

Rich and poor are relative terms, but every society reveals a population distribution ranging from opulence to indigence. This occurs under monarchies, and it occurs in primitive tribes which measure a man's wealth by cattle and wives; it occurs in communist states where, as Milovan Djilas pointed out in a famous book, a "new class" emerges out of the classless society, and the "new class" enjoys privileges denied the masses.

Under the system of liberty, the free market will reward men in differing degrees so that some men will make a great deal of money while others, such as teachers and preachers, have to get by on a very modest income. But under the system of liberty even those in lower income brackets enjoy a relatively high standard of living, and, furthermore, the practice of the Rule of Law guarantees that there'll be no persecution for deviant intellectual and religious beliefs. The government does not try to manage the economy or control the lives of the citizens; it keeps out of people's way—unless rights are violated.

Under conditions of political equality—which is the system of liberty, with the Rule of

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Law and the market economy—a man's income depends upon his success at pleasing consumers, at which game some people are much more successful than others. A certain American entertainer earned millions of dollars last year by gyrating and howling in public places. He didn't get any of my money, and except for the fact that I believe in liberty, I might have paid a substantial sum to keep him permanently tranquilized! On a somewhat higher level, there are talented people who are sensitive to consumer demand, and so they produce the kinds of goods or render the kinds of services that people will be able and willing to buy. They'll make a bundle, in virtue of their ability to attract customers in free market competition.

Our own country's past affords the best example of the enormous multiplication of wealth—broadly shared—which results from the release of human creativity under a system of liberty. But reintroduce a system of privilege, and dreams of prosperity fade.

Helping the Poor

The big domestic issue is poverty. Ever since New Deal days in the 1930s, governments have legislated various welfare schemes designed ostensibly to help "the poor," spending trillions of dollars in these efforts. And the big issue is still poverty! It's only the relative prosperity of the private sector, working against politically imposed obstructions, which has provided the funds to fuel the futile political programs touted as the remedy for economic distress. These are false remedies. The truth of the matter is that only economic action can produce the goods and services whose lack is indigence and destitution. Misguided political programs actually manufacture poverty by hampering productivity. Should we trust further government interventions to correct the very conditions government has caused by its earlier interventions?

Poverty may be measured in various ways, but whatever else it is, poverty means a lack of the things which sustain life at the basic level, or not enough of the things which make life pleasant and enjoyable. A genuinely poor person in the United States lives in a shabby room, dresses in hand-me-down clothing, and eats meals running heavily to starchy food, with little meat and fruit. A person who is this poor would be better off if he enjoyed a larger and finer house, had several extra suits, and ate tastier and more nourishing food. After improving the situation at the level of necessities he'd move ahead to the amenities: to recreation, a second car, air conditioning, and so on. The point to note is that people move away from poverty and toward prosperity only as they command more economic goods, more of the things which are manufactured, grown, transported, or otherwise produced.

Poverty is overcome by production, and in no other way. Therefore, if we are seriously concerned with the alleviation of poverty, our concern for increased production must be equally serious. This is simple logic. But look around us in this great land today and try to find anyone for whom increased productivity is a major goal. There are some able production men in industry, but many established businesses have learned to live comfortably with restrictive legislation, government contracts, the foreign aid program, and our international commitments. The competitive instinct burns low, and the entrepreneur who is willing to submit to the uncertainties of the market is a rare bird. And then there are the farmers. Agricultural production has taken a great leap forward in recent years, but no thanks to those farmers who latch onto the government's farm program and accept payment for keeping land and equipment idle. Union leaders claim to work for the betterment of the membership, but no one has ever accused unions of a burning desire to be more productive on the job. Politicians are not interested in increased industrial or agricultural production, which is why government welfare programs manufacture poverty, and the economic well-being of the nation as a whole sinks below the level of prosperity a free market economy would achieve.

Confirmation of this point comes from a *New York Times Magazine* article by the celebrated economist, Thomas Sowell:

> To be blunt, the poor are a gold mine. By the time they are studied, advised, experimented with and administered, the poor have helped many a middle class liberal to achieve afflu-

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ence with government money. The total amount of money the government spends on its anti-poverty efforts is three times what would be required to lift every man, woman, and child in America above the poverty line by simply sending money to the poor.

An overall increase in the output of goods and services is the only way to upgrade the general welfare, but there is no clamor on behalf of increased productivity. The clamor is for redistribution, for political interventions which exact tribute from the haves and bestow largesse on the have-nots. Present-day politics is based on the redistributionist principle: taxes for all, subsidies for the few.

I'm arguing on behalf of a philosophy of government which understands the primary function of the Law as the defense of the life, liberty, and property of all persons alike. Such a political establishment leads to the kind of society in which bread and butter issues are handled by the market. So now, a few words about the nature of the market.

The market is not a magic instrumentality which comes up automatically with the right answer for every sort of question. The market is a sort of popularity contest; the market tells us what people like well enough to buy; it's an index of their preferences. Thus, the market provides a very valuable piece of information, but it's far from the whole story. It's important for a manufacturer to project an accurate guess as to where the hemline will be next season, or what people will look for when the new car models are unveiled. But a similar fingering of the popular pulse is an abomination in the intellectual and moral realms—unless one is a liberal intellectual! I refer to the proclivity of the current crop of liberal opinion molders to ask: "What's going to be the fashion in ideas next season?" One glaring example of this—a former professor of mine was a leading clerical spokesman for involving the United States in World War II; but when the climate of opinion changed he became a co-chairman of SANE. This man has a good market in the intellectual realm, but of course he opposes the market in the economic realm!

The market is not some entity; the market is only a word describing people freely exchanging goods and services in the absence of force and fraud. The market is the only device available for serving our creaturely needs while conserving scarce resources. But the market is no gauge of the validity of ideas. The market measures the popularity of an idea or a book or a system of thought, but not its truth or worth. Mises and Hayek are, for my money, far better thinkers and economists than Samuelson and Galbraith; but the market for the services of the latter pair is enormously greater than the popular demand for Mises and Hayek. Likewise in aesthetic questions. An entertainer's popularity is no index of his musicianship, and a best-selling novel may fall far short of the category of literature.

The Market as Mirror

The market is simply a mirror of popular preferences and public taste; but if we don't like what the mirror reveals we won't improve the situation by throwing rocks at the glass! There is a great deal more to life than pleasing the customer, but if the integrity of the market is not respected, consumer choice is impaired and some people are given a license to foist their values on others. Permit this kind of poison to infect economic relationships and our ability to resist it elsewhere is seriously weakened.

We are throwing rocks at the mirror whenever we undertake programs of social leveling, aimed at economic equality. The government promises to aid the poor by redistributing the wealth. This, of course, is a power play, and it is the poor—generally the weakest members of a society—who are hurt first and most in any power struggle. Furthermore—and this is an important point—economic inequalities cannot be overcome by coercive redistribution without increasing political inequalities. Every form of political redistribution widens power differentials in society; officeholders have more power, citizens have less; political contests become more intense, because the control and dispersal of great amounts of wealth are at stake.

Every alternative to the market economy—call it socialism or communism or fascism or whatever—concentrates power over the life and livelihood of the many into the hands of the

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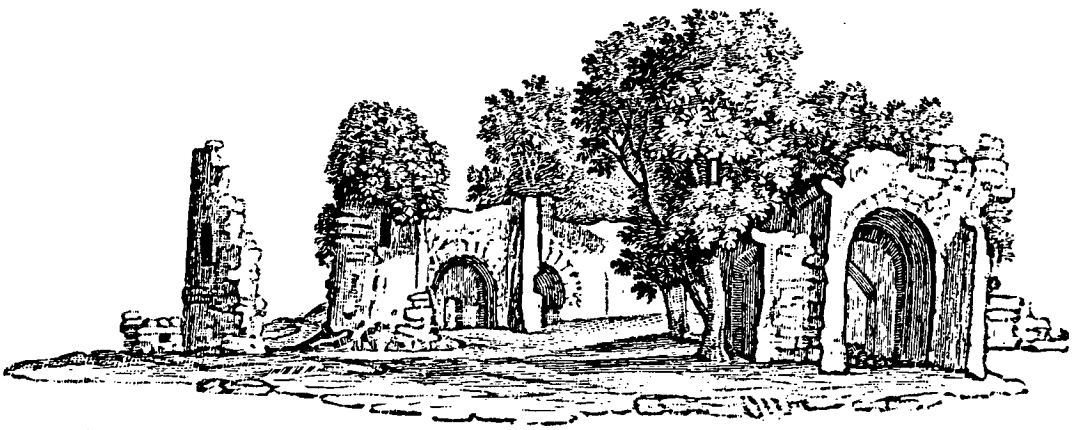
few who constitute the State. The principle of equality before the law is discarded—the Rule of Law is incompatible with any form of the planned economy—and, as in the George Orwell satire, some people become more equal than others. We head back toward the Old Regime—the system of privilege.

Those who have assumed or seized power to take from the "haves" and give to the "have-nots" will eventually realize that they are operating a dumb racket. The "have-nots" who may be on the receiving end at the beginning are generally not society's best and brightest, not the kind of people the power brokers like to hobnob with. The politically powerful who operate the transfer system will—when the light dawns—continue to plunder the "haves" but will then divvy up their take between themselves and the beautiful people who possess enough sensibility to realize the rightness of running a society for the benefit of such as they! The poor are squeezed out; they are worse off than before. And the nation is saddled with the "democratic despotism" predicted by Alexis de Tocqueville as far back as 1835.

Those of you who are fans of Lewis Carroll will remember his poem, "The Hunting of the Snark." Hunters pursued this strange beast, but every time they thought they had their quarry the snark turned out to be a quite different beast—a boojum! Every time a determined group of people have concentrated power in a central government to carry out *their* program, the power they have set up gets out of hand. The classic example of this is the French Revolution, which turned and devoured those who had started it. It is not so much that power corrupts, as that power obeys its own laws. Our forebears in the old-fashioned Whig-Classical Liberal tradition were aware of this, so they sought to disperse and contain power. They chose liberty. They chose liberty in full awareness that in a free society the natural differences among human beings would show up in various ways; some would be economically better off than others. But in a free society there would be no political *in*equality; everyone would be equal before the law.

The alternative to the free economy is a servile state, where a ruling class enforces an equality of poverty on the masses, and lives at the expense of the producers. To embark on a program of economic leveling, then, is like trying to repeal the law of gravity; it'll never work, and the energy we waste trying to make it work defeats our efforts to attain the reasonable goals which are within our capacity to achieve. □

1. *Story of England*, Arthur Bryant, Vol. I, p. 164.
2. *Equality*, R. H. Tawney, pp. 120-121.



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Mom's Monopoly, Part I

by Susan J. Osburn

When explaining economic concepts to adolescents, we adults will be best understood if we use plenty of concrete examples from the kids' lives and surroundings. Here are some conversations that *could* have taken place between a graduate-student mother and her 14-year-old son, Sam.

Sam: Mom, I have to write a paper on economics for my social studies class. Can you explain some things to me, since you're taking that course at George Mason?

Mom: Sure. What, for instance?

Sam: Like *scarcity*. Does that mean things that are hard to find? Like, you can almost never get one of Madonna's earrings, but she dropped one at a concert and now someone's selling it for $10,000!

Mom: Well, it's a little like that, but scarcity in economics represents the whole idea that people have to exert themselves to obtain things they want; there isn't an unlimited supply that's available effortlessly. It's a general idea, meant to describe all human wants.

For example, in some ideas of heaven, it's a place where you just imagine something and you have it available. No scarcity of anything, you get it all automatically—food, the right temperature and humidity, light, clothing, free haloes, even harp entertainment. Also, people in this heaven are satisfied with what's there. They have no desire for different conditions or for rock music instead of harp music. But in real life, we have to do something like working or spending money to get what we want, and that creates an economy. In heaven there'd be no economy because there'd be no scarcity.

Sam: Sounds boring!

Mom: I see what you mean. What else do you need to know about?

Sam: *Opportunity cost*. I don't get it at all.

Mom: Well, it's the thing you have to give up whenever you choose something. It's the option you lose because of your decision. Remember when you were saving money for snow skis, but you spent some of it on other things?

Sam: Yeah—I bought that neat vest from the Banana Republic catalog!

Mom: You lost the opportunity to build up your ski account when you did that. In fact, you set back your ski purchase a whole year, didn't you?

Sam: Yeah—but I don't care. I'd rather have the vest.

Mom: You decided that the opportunity to get the vest was worth the cost you paid—I don't mean the price you paid Banana Republic, but what you took from yourself—giving up your skis for a whole year. You missed a year of skiing; now you'll never know whether you'd have had fun, or broken your leg. And that choice was up to you. The delay in your ski purchase is the opportunity cost. You could say that you also lost the chance to buy a new bicycle, or a really good dictionary. . .

Sam: I'd hate to spend my ski money on those things!

Mom: That's why neither of those things is the main opportunity cost. The skis are. You

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ranked the Banana Republic vest first, then the skis, then the other things. The option closest in your value system to the one you picked, the number two item on your list, is the primary opportunity cost. This is related to the idea of *exchange*.

Sam: I know what exchange is. The Stock Exchange! Or is it when you take things back to the store that Grandma gives you for Christmas? Or like when Bob traded me his Swiss army knife for my mini-telescope?

Mom: You're getting warmer. In economics, exchange is any transaction you make in order to get more of what you want. You can even exchange with yourself, the way you do when you take money out of your ski account and spend it at Banana Republic. You did it because you really prefer the vest, right? Over building up your account?

Sam: Yeah. All the adults are mad at me for it, but. . .

Mom: That's OK. This is an example. When you traded your mini-telescope to Bob, why did you do it?

Sam: His Swiss knife was so neat! It had a corkscrew, and. . .

Mom: Better than your telescope, right?

Sam: Definitely. Bob was dumb to trade it.

Mom: Then why *did* he trade it, if his knife was better than what he was getting?

Sam: He really wanted a telescope. He just felt that way.

Mom: So each of you thought you were getting something better. In every exchange between two parties, each person expects that what he's getting will please him more than what he's giving up.

Sam: I get it! But now this is really hard. *Marginal utility* and *diminishing marginal utility*. . .

Mom: No, it's not so hard. If you have a lot of something, marginal utility is the value, to you, of the piece of that something you just acquired. The unit, you would say, you last added to your stock. You know those wild tropical shirts you wear, with all the leaves and flowers and bright colors?

Sam: Yeah! I've finally got enough of them!

Mom: What happened when you only had one?

Sam: I was so glad to have it, and it was so special, I saved it to wear to the fair and the rock concert.

Mom: What happened when you got another shirt?

Sam: I wore it just to go out for burgers.

Mom: And another shirt?

Sam: I wore it just to go to Bob's house on my bike. Because I didn't care if I sweated on it, since I have others.

Mom: Did you get still another shirt?

Sam: Yeah, the one with the little guys and the canoes and palm trees.

Mom: Didn't I see you wearing that one to cut the grass?

Sam: Uh-huh. And then I put it in the wash afterwards, because even if it fades or something, I still have the other shirts.

Mom: OK. That last shirt you got is less important to you than the others, even though it's just as much in style, because you have several shirts now. You know that when you have someplace important to wear a shirt, like the fair, you'll always have one. When you had only one, it was so special and valuable that you'd hardly touch it, but by the time you got your fourth shirt, you used it for lawn-mowing duty.

The reason you valued the fourth shirt less was the rule of diminishing marginal utility. Each shirt is a unit you acquire, and the value of each unit is shown by the least significant use you make of it, which is usually determined by your total stock of that item. The more you have, the less you care about each one you get. That's all there is to it!

Sam: Economics is easier than I thought. I thought it was all about taxes and big companies.

Mom: You've been practicing economics, kid, ever since you decided to throw your food off the high chair and watch it fall rather than eat it.

Sam: Uh, thanks, Mom. I gotta go change shirts; I'm going to write my essay at Bob's house. □

Next month, in part II of "Mom's Monopoly," Sam and his mother discuss prices and entrepreneurship.

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Entrepreneurs and the State

by Burt Folsom

The big story in the U.S. auto industry during 1987 was the sharp growth (+35%) in sales for Honda and the decline (−23%) for Chrysler. While Honda sold cars as fast as it could make them, Chrysler struggled with a huge backlog of 1987 models. These results should not surprise us—they are part of a long historical pattern: federally aided companies, like Chrysler with its federally guaranteed loans, rarely outperform those that have to succeed on their own merits.

Those risk-takers who have sought and received help from the state we will call political entrepreneurs; those who have succeeded without it we will call market entrepreneurs. In steamships and railroads, two of the largest industries in the U.S. during the 1800s, these two groups of entrepreneurs regularly clashed, just as they do today.

Almost from the time of the first trans-Atlantic voyage by steam in the 1830s, the governments of England and the United States subsidized steamship travel. Samuel Cunard, a political entrepreneur, convinced the English government to give him $275,000 a year to run a biweekly mail and passenger service across the Atlantic. Cunard charged $200 per passenger and 24 cents a letter, but still said that he needed the annual aid to cover his losses. He contended that subsidized steamships gave England an advantage in world trade and were a readily available merchant marine in case of war. Parliament accepted this argument and increased government aid to the Cunard Line throughout the 1840s.

Soon, Edward Collins, a political entrepreneur across the ocean, began using these same arguments for Federal aid to the new U.S. steamship industry. He said that America needed subsidized steamships to compete with England, to create jobs, and to provide a military fleet in case of war. If the government would give him $3 million down and $385,000 a year, he would build five ships, deliver mail and passengers, and outrace the Cunarders from coast to coast.

Congress gave this money to Collins in 1847, but he built four enormous ships (not five smaller ships as he had promised), each with elegant saloons, ladies' drawing rooms, and wedding berths. He covered the ships with plush carpet and brought aboard olive-wood furniture, marble tables, exotic mirrors, painted glass windows, and French chefs. Collins stressed luxury, not economy, and his ships used almost twice the coal of the Cunard Line. He often beat the Cunarders across the ocean by one day, but his costs were high and his economic benefits were nil.

With annual government aid, Collins had no incentive to reduce his costs from year to year. He preferred to compete in the world of politics for more Federal aid than in the world of business against price-cutting rivals. In 1852 he went to Washington and lavishly entertained

Burt Folsom is Associate Professor of History at Murray State University in Kentucky. This article is adapted from his recent book, Entrepreneurs vs. the State *(available from FEE @ $14.00 postpaid).*

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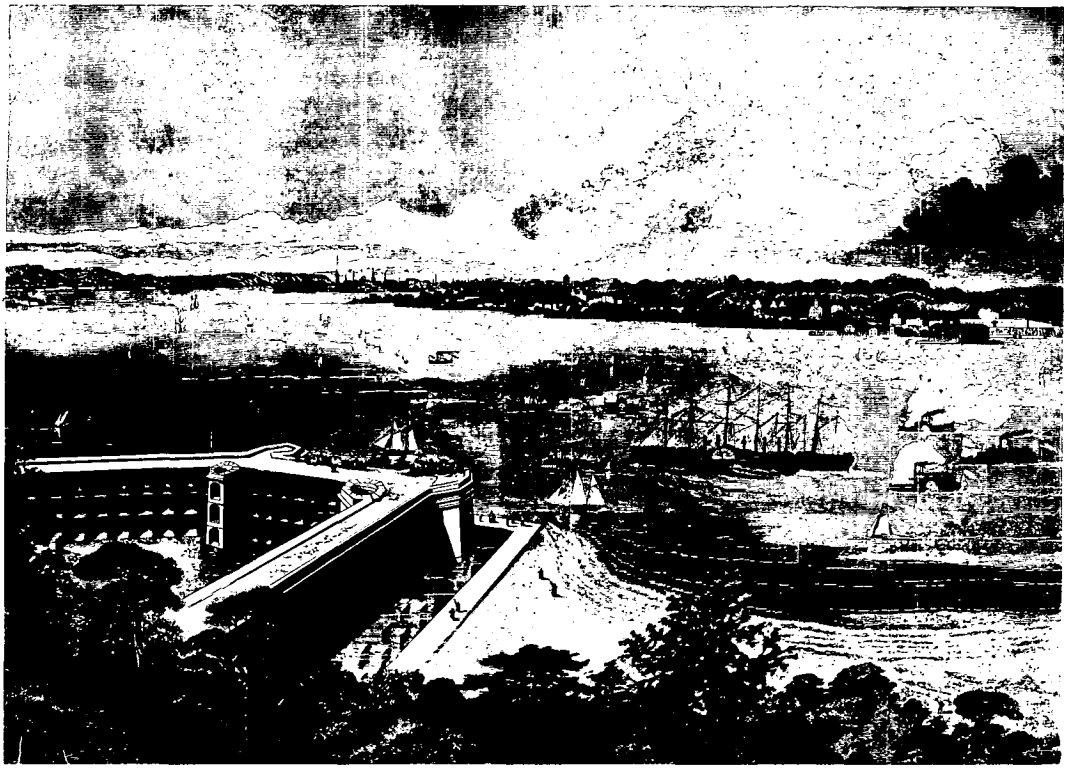

New York Harbor in the mid-1800s.

President Fillmore, his cabinet, and influential Congressmen. Collins artfully lobbied Congress for an increase to $858,000 a year.

It took Cornelius Vanderbilt, a New York shipping genius, to challenge this system. In 1855, Vanderbilt offered to deliver the mail for less than half of what Collins was getting. Congress balked—it was pledged to Collins—so Vanderbilt decided to challenge Collins even without a subsidy. "The share of prosperity which has fallen to my lot," said Vanderbilt, "is the direct result of unfettered trade, and unrestrained competition. It is my wish that those who are to come after me shall have the same field open before them."

Vanderbilt's strategy against Collins was to cut the standard first-class fare to $80. He also introduced a cheaper third-class fare in the steerage. The steerage must have been uncomfortable—people were practically stacked on top of each other—but for $75, and sometimes less, he did get newcomers to travel.

Vanderbilt also had little or no insurance on his fleet: he built his ships well, hired excellent captains, and saved money on repairs and insurance. Finally, Vanderbilt hired local "runners" who buttonholed all kinds of people to travel on his ships. These second- and third-class passengers were important because all steamship operators had fixed costs for each voyage. They had to pay a set amount for coal, crew, maintenance, food, and docking fees. In such a situation, Vanderbilt needed volume business and sometimes carried over 500 passengers per ship.

All this was too much for Collins. When he tried to counter with more speed, he crashed two of his four ships, killing almost 500 passengers. In desperation he spent one million dollars of government money building a gigantic replacement, but he built it so poorly that it could make only two trips and had to be sold at more than a $900,000 loss.

Finally, Congress was outraged. Senator Robert M. T. Hunter of Virginia said: "The whole system was wrong . . . it ought to have been left, like any other trade, to competition." Senator John B. Thompson of Kentucky concurred: "Give neither this line, nor any other line, a subsidy. . . . Let the Collins Line

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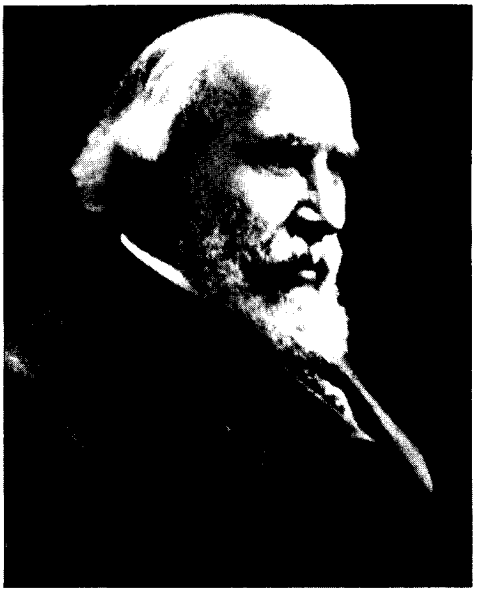
die. . . . I want a tabula rasa—the whole thing wiped out, and a new beginning.'' Congress voted for this ''new beginning'' in 1858: they revoked Collins' aid and left him to compete with Vanderbilt on an equal basis. The results: Collins quickly went bankrupt, and Vanderbilt became the leading American steamship operator.

And there was yet another twist. When Vanderbilt competed against the English, his major competition did not come from the Cunarders. The new unsubsidized William Inman Line was doing to Cunard in England what Vanderbilt had done to Collins in America. The subsidized Cunard had cautiously stuck with traditional technology, while William Inman had gone on to use screw propellers and iron hulls instead of paddle wheels and wood. Inman's strategy worked; and from 1858 to the Civil War, two market entrepreneurs, Vanderbilt and Inman, led America and England in cheap mail and passenger service. The mail subsidies, then, ended up retarding progress: Cunard and Collins both used their monopolies to stifle innovation and delay technological changes in steamship construction.

Unfortunately, this cycle of government subsidy, mismanagement, and bankruptcy repeated itself a few years later in the railroad industry. With California and the Rocky Mountains safely in the Union, some people wanted a transcontinental railroad to tie the country together. Political entrepreneurs of the day convinced Congress that without Federal aid the nation could not be linked by rail. Most historians have bought this argument, too. The late Thomas Bailey, whose textbook, *The American Pageant,* has sold over two million copies, said, ''Transcontinental railroad building was so costly and risky as to require government subsidies.'' Congress adopted this logic and gave almost 100 million acres and $61 million in Federal loans to four transcontinentals.

With massive Federal aid came unprecendented corruption. The Union Pacific and Central Pacific built shoddy lines very quickly just to capture the Federal subsidies. Also, the Credit Mobilier scandal, in which Union Pacific officials bribed Congressmen with cheap stock in return for favorable votes, rocked the Grant administration and branded the whole



James J. Hill

railroad industry as corrupt. Eventually, negative public reaction helped lead to the establishment of the Interstate Commerce Commission. Congress, in effect, said that Federal regulation was the solution to the problems created by Federal aid.

Fortunately, James J. Hill, a market entrepreneur, showed the country how to build a different kind of transcontinental. From 1879 to 1893 he built the Great Northern Railroad from St. Paul to Seattle with no Federal subsidy. Slowly, methodically, and with the best technology of his day he built a model line—relatively straight, on an even grade, and with high quality steel. He made each piece pay for itself before he moved further west. During the depression of the 1890s, when the subsidized Union Pacific, Northern Pacific, and Santa Fe Railroads went bankrupt, Hill ran his line profitably each year.

State aid—and this includes tariffs as well as loans—is always well intentioned. From Collins to Iacocca those who seek such aid really believe they have their nation's best interest at heart: they are protecting jobs, helping local industries compete, and preserving the industrial future of the nation. It is sad to see the opposite so often happen. Chrysler did pay back its loans—but it appears to be following the historical pattern set long ago in steamships and railroads. □

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The Myth of Japanese Industrial Policy

by C. Brandon Crocker

Record trade deficits and the fear that America is losing its manufacturing base have focused attention on the need to restore American competitiveness. One proposed solution, which is making its way toward the political front burner, is "industrial policy"—government intervention in specific sectors of the economy geared toward "improving the patterns of our investments."[1]

This idea last came to the fore when Walter Mondale adopted it in his 1984 presidential bid. Although the term "industrial policy" is somewhat vague, and is used to mean different things by different people, it usually encompasses some form of government intervention aimed at specific industries. Such intervention ranges from subsidies or tax breaks to government-financed employee training programs.

It is incumbent upon industrial policy proponents to answer three questions: First, under ideal circumstances, can industrial policy work? Second, in the real political world, will industrial policy degenerate into yet another means for politicians to pass pork-barrel legislation? And third, is the sacrifice of individual liberty involved in implementing a serious industrial policy worth the supposed gains? This article is concerned with the first two questions, for if the advocates of industrial policy fail on these two points, the last question is moot.

Proponents of national industrial policy often point to Japan as a showcase of what such policies can do. The Japanese government, through such agencies as the Ministry of International Trade and Industry (MITI) and the Ministry of Finance, has played a powerful role in the economy, the argument goes, turning a war-battered Japan into an economic juggernaut in 25 years. The reality of the Japanese experience, however, does not provide support for a U.S. industrial policy.

During the 1950s and 1960s, the Japanese banking system wasn't well developed, nor did Japanese companies have access to an efficient capital market. This enabled the government, mainly through the Ministry of Finance and the Bank of Japan, to influence the availability of funds to specific industries. The government controlled a vast pool of private savings deposited with the post office, which had a virtual monopoly on private savings deposits.

With this power, the Japanese government effectively rationed credit, giving greater amounts to targeted industries such as steel, utilities, and communications. As domestic credit markets matured, however, and Japanese firms expanded and were able to tap foreign capital markets, the Japanese government lost the ability to control the flow of capital. Nevertheless, the government still controls a substantial amount of private savings which it uses for subsidized loans and loan guarantees.

MITI has long tried to influence company policies, while attempting to coordinate some industry activities, such as research and development. This role has grown in importance as credit rationing is no longer practicable. MITI has also loosened antitrust laws to allow firms to engage in joint research activities and to

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permit firms in troubled industries to cooperate.

However, the fact that a government has attempted to play an active role in an economy does not necessarily mean that it has significantly altered the final workings of the market. This seems to be the case in Japan.

During the 1950s and 1960s, when the Japanese government used credit rationing to allocate capital to target industries, Japan was rebuilding its industrial infrastructure which had been battered during the war. This made it relatively easy to see which industries needed to be developed in order to catch up with other industrialized countries. A private commercial banking system, however, probably would have targeted these same industries since they offered profitable returns at low risk. But even if the government's efforts at targeting industries after World War II hastened Japan's economic rebirth, such a policy would not be relevant to an already developed economy such as the United States in 1988.

MITI's Overstated Influence on Japanese Firms

MITI's influence over Japanese businesses is often overstated. Japanese firms generally follow only the MITI proposals with which they concur. MITI, for instance, did not want Mitsubishi and Honda to build cars, and did not want Sony to purchase U.S. transistor technology. The companies, however, went ahead, and entire industries were transformed.

MITI has not had any real power over Japanese industry since the Japanese government lost its near monopoly on the supply of credit in the early 1970s. Since then, MITI has made only suggestions, or has ruled on proposals from business leaders concerning industry cooperation and government loans. As Sadanori Yamanaka, Minister of International Trade and Industry, stated in 1983, "MITI works in an indirect fashion. When it guides industry, it is with soft hands. It has no real coercive power anymore. The main player is private industry."[2]

The savings still controlled by the Japanese government are spread so thin among special interests that they are not an effective tool for industrial policy. Charles Schultze, chairman of the Council of Economic Advisors under President Carter, has concluded, "In Japan as in any other democratic country, the public investment budget has been divvied up in response to diverse political pressures. It has not been a major instrument for concentrating investment resources in carefully selected growth industries."[3]

A case in point is semiconductors. This industry has been lauded as an example of the successful use of government financing for research and development. Yet the government's main investment arm, the Japanese Development Bank, has spent only one per cent of its budget for semiconductor research and development, which represents only a few percentage points of total research and development in the industry.[4]

In addition to being spread thin, Japan's public investment budget is relatively small. During the 1970s, net lending by the Japan Development Bank amounted to only one per cent of private non-housing capital formation.[5] The Japanese government is responsible for about 28 per cent of its nation's non-defense research and development—four per cent *less* than what the U.S. government supplies.[6] Far from being an aggressive partner in funding industrial research and development, the Japanese government is actually *less* active than is the U.S. government.

One true success story of Japan's industrial policy has been the government's ability to assist distressed industries. The Japanese government has achieved this by relaxing antitrust laws so that firms can work together in industries burdened by over-capacity and reduce research and development expenditures by entering into joint research projects. But this is not an argument for an increased government presence in the market; it is quite the opposite. The success of this policy comes from *reducing* government intervention.

Though the extent of Japanese industrial policy has been exaggerated, it cannot be denied that it has had some effect on the Japanese economy during the past 35 years. There is no convincing evidence, however, of a causal relationship between industrial policy and Japan's economic success. In fact, the argument could be made that the Japanese economy

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WIDE WORLD PHOTOS

"The two industries most associated by Americans with Japanese success—automobiles and consumer electronics—were never selected by the Japanese government as priority industries."

has flourished *despite* the activities of agencies such as MITI.

Aside from targeting basic industries after World War II, the performance of Japan's economic planners has left much to be desired, by the planners' own standards. In contrast to the examples of Mitsubishi, Honda, and Sony, which had the determination and foresight to disobey MITI, some of Japan's big industrial disappointments such as shipbuilding and aerospace received much government favor and funding. The Japanese cement, paper, glass, bicycle, and motorcycle industries—all of which are success stories—never received much assistance, and occasionally encountered some resistance from MITI. The two industries most associated by Americans with Japanese success—automobiles and consumer electronics—were never selected by the Japanese government as priority industries.

The Japanese economy has benefited from a number of factors since the early 1950s, none of which have had anything to do with industrial policy.

First, encouraged by low tax rates (especially on interest income, which for most individuals is tax-free) and the absence of a social security system, the Japanese have saved at a high rate. Over the past 25 years, the Japanese individual savings rate has ranged between 17 per cent to more than 20 per cent of after-tax income; over the same period Americans saved only four to seven per cent.[7]

Second, the Japanese have had access to relatively cheap labor until recently, as economic growth has bid up wages. This labor force has a strong work ethic, with most Japanese working six-day weeks and rarely taking holidays.

Third, Japanese management has done an excellent job in controlling production costs, recognizing and meeting consumers' desires, and in formulating human resource policies which have kept worker morale and productivity relatively high, and the power of labor unions low. With so many favorable variables at work, there is little cause for hailing industrial policy as the reason for Japan's economic robustness.

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Political Questions

History clearly shows that the United States government is not well suited to making hard decisions on resource allocations, separate of political considerations. Charles Schultze cites the examples of the Economic Development Administration (which categorizes fully 80 per cent of the counties in the United States as being eligible for "aid to depressed areas") and Lyndon Johnson's Model Cities program, which ended up dividing its budget among 150 cities. Government policy toward the tobacco industry, which is simultaneously taxed, restricted, and subsidized, is another indication of the government's ability to implement a consistent industrial policy. A national industrial policy would not be any different from the existing hodgepodge of politically inspired handouts, except that more special interests, and significantly more funding, would be involved.

The Japanese government no longer "targets" industries as some industrial policy proponents would like to see the U.S. government do. The reason for this has been the realization by the Japanese government that it cannot predict what the best industries will be for Japan.

Aneel Karnani, Professor of Corporate Strategy at the University of Michigan, states the issue clearly: "What will be the better growth industry in the next decade, computers or biotechnology? Do you want some bureaucrat somewhere making that decision?"[8]

Austrian economist Friedrich Hayek has provided the answer: "It is through the mutually adjusted efforts of many people that more knowledge is utilized than any one individual possesses or than it is possible to synthesize intellectually; and it is through such utilization of dispersed knowledge that achievements are made possible greater than any single mind can foresee."[9]

The market brings together the information possessed by all individuals in the market and, therefore, is able to make better decisions on questions of optimal resource allocation than can any group of bureaucrats. To try to identify "winners" and "losers" beforehand is folly.

Japan's economic success is not due to industrial policy. The Japanese success story is based on high savings, hard work, and excellent business leadership. These are the areas in which the United States must improve to remain competitive in the world market. The U.S. government can make positive contributions by reducing the budget deficit, repealing burdensome regulations, and implementing tax policies which encourage work and productive investment. But attempts at "planned" meddling will not help. □

1. Ira Magaziner and Robert Reich, *Minding America's Business* (New York: Harcourt Brace Jovanovich, 1982), p. 4.
2. Sadanori Yamanaka, quoted by Steve Lohr, "Japan's Trade Ministry Draws Praise and Ire," *The New York Times*, May 17, 1983.
3. Charles Schultze, "Industrial Policy: A Dissent," *The Brookings Review*, Fall 1983, p. 7.
4. Tom Palmer, "Chipping Away at Free Trade," *Inquiry*, November 1983.
5. David Henderson, "The Myth of MITI," *Fortune*, August 8, 1983, p. 114.
6. Sinichiro Asao, "Myths and Realities of Japan's Industrial Policies," *The Wall Street Journal*, October 24, 1983.
7. Bernard Wysocki, and Christopher Chipello, "As Americans Spend, Wary Japanese Save, and Taxes Are a Cause," *The Wall Street Journal*, August 25, 1985.
8. Aneel Karnani, Lecture on Industrial Policy, The University of Michigan Graduate School of Business Administration, April 22, 1987.
9. Friedrich Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), pp. 30–31.

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Who Should Support the Arts?

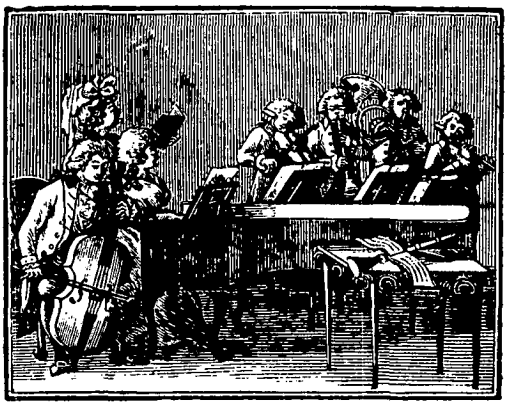
by Melvin D. Barger

Ask who should support the arts, and the free-market answer should be obvious. *The arts should be supported by people using voluntary, peaceful means and processes.* At the same time, governments should maintain the same neutrality toward the arts that they're supposed to show toward religion and the press. This means that people in the visual and performing arts should always have a wide range of freedom in their pursuit of full self-expression. Their artistic freedom reflects the liberty any of us should have—and we should defend it. There is almost no justification for governments to shut down a play, ban a book, interfere with a concert, or forbid the display of a painting.

In that same spirit, however, we should not be moving in the opposite direction by making support of the arts a function of government. It's true that we have been on that road for a long time now. One major turning point was the establishment of the National Endowment for the Arts (NEA) in 1965. That has become a $180-million industry with Federal support. Influential voices continue to demand increases in the NEA funds along with more subsidies for the arts by state and local governments.

Any support that's given, however, is unfair to somebody and results in a misuse of public funds. Despite what its advocates claim for it, government support of the arts is also unlikely to do much for art and for artists over the long term.

Mr. Barger was a business writer associated with Libbey-Owens-Ford Company and one of its subsidiary firms for nearly 33 years. He has also appeared in more than 30 amateur plays and musicals since 1954 and had a small professional role in 1987. He is married to a commercial fashion artist, and their children have art-related educations and interests.



We should be able to understand why demands for such support are made—they are often self-seeking efforts by groups of producers and consumers hoping to gain advantages at public expense. The producers include a wide assortment of people believed to possess talent in the various branches of the arts. They are writers, playwrights, poets, painters, sculptors, dancers, singers, musicians, composers, and even architects. The consumers associated with them are people devoted to the arts, often as spectators or patrons. Allies of both groups are people who benefit from the arts—communities seeking funds, publishers, teachers, and manufacturers and vendors of supplies.

Buttressed by Shrewd Arguments

These individuals and groups shrewdly base their arguments on points that attempt to place all forms of art in the public interest. One idea is that culture makes us a better society; Federal support is needed to prevent our decline into

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cultural barbarism. Another idea is that the free market fails to provide outlets for the higher forms of art. A third idea is that the United States has been deficient by lagging behind European governments which support the arts as a matter of course. There is also the myth of the starving artist— if we neglect to support the arts, we will be condemning another van Gogh or Mozart to a wretched existence. It is also generally recognized that many highly talented artists lack commercial aptitude, and this leads to an argument that the public has a responsibility to support them.

We should be careful about buying into any of these arguments. Improving society? Nobody can really show a connection between the higher forms of art and a better society. Market failure? The free market, though scorned by many artists, actually provides handsome opportunities for talented people. Support in Europe? The same European governments that support the arts have been regarded as discriminatory by many groups. Starving artists? We feel guilty about artists who were ignored in their own time, but they could continue to fall through the cracks in a system of Federal support. The personal problems that beset van Gogh and Mozart, for example, would get them in trouble with the government bureaus who administer support to artists today. The artist's lack of commercial aptitude? Well, many of us are deficient in this respect—but we cover these deficiencies by joining forces with others who possess marketing and administrative skills.

What are some of the problems inherent in government support of the arts? In most respects, the problems are similar to those of excessive government involvement in other activities that ought to be left to voluntary processes. Here are comments about a few of them:

1) *Government support of the arts must always be politicized and bureaucratized.* One of the curious contradictions of those who demand government support is that they also demand absolute freedom of expression for the artist. They abhor political controls and anything that seems to smack of government oppression. They are also likely to be free spirits who hate following procedures and obeying cumbersome rules. Even the need to prepare the necessary paperwork and compliance forms is often bitterly criticized and resented, though such procedures are a necessity under any bureaucratized system.

The artists who have expectations of support without controls do not really understand the basic nature of government as organized force. Any government, whether communist or democratic, represents political and coercive forces. All the resources and powers of the government tend to be deployed to serve the interests of the political group in control and also to deal with things that threaten the very survival of the state. This is as true of the United States as it is of the Soviet Union. Either type of government must also establish bureaus and procedures for any of its activities, whether it's running the army or supporting artists. Any decision to make something a government activity is also a decision to place it under bureaucratic management with various controls and reporting methods for measurement of results.

Control Is Logical

Artists chafe under this type of political control, but it's unavoidable if support is to come from the government. Soviet leaders have been denounced for their heavy-handed control of artists in the past, but it has been entirely logical and proper *from their point of view*. The Soviet government is criticized for expecting artists and writers to follow the party line in their work. This must always be necessary, even if the party line begins to soften in the eyes of Western observers. But even elected governments must impose "party lines" on artists who receive government support. This control in a democratic society may be hidden and indirect, but it is control nevertheless. One way it is exercised, for example, is in showing a bias for or against certain types of art or expression. Right now, for example, government support of the arts in the U.S. is supposed to favor groups considered to be disadvantaged. Laudable as this aim seems to be, it is a political response, not an objective artistic one.

Support for the arts must also be bureaucratized, subject to detailed rules and regulations. We can be sure that artists and writers in the

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Soviet Union are carefully controlled and scrutinized by the government bureaucracy which dispenses largesse to them. In the same way, however, government officials in Western societies must maintain some records and controls over artistic ventures. They must follow a policy of covering their own actions at all times. Officials must always be prepared to provide answers for Congressional members to show that funds for the arts are being spent for "good public purposes." This requires record-keeping, feedback, constant reviews, and all the other tiresome processes that go along with government work.

Captive to Elitists

2) *Government support for the arts must be captive to elite groups.* One of the arguments for Federal subsidies is that the higher forms of arts do not usually have mass appeal. Why is there no mass appeal? Well, since much art is related to entertainment, this often comes down to what each of us likes to see, read, and hear while we're being entertained. The American public is often berated because many people are apparently willing to help country singers and romance writers become popular while displaying some indifference toward opera stars and serious writers. This indifference is not absolute, however, and some opera singers and serious writers do acquire a strong following.

One reason country singers and romance writers are popular is that they *try* harder to please their audiences. But creative and performing people in the so-called "higher" forms of art often convey the idea that nothing can be good if it is popular. Their work is of such high quality and meaning, they feel, that only a few people have the good sense and taste to appreciate it.

These groups of people with elitist ideas are most likely to control government programs for support of the arts. They are the ones most likely to have the required credentials and interests. The artists who have found a good market are more likely to be too busy with their own work to become involved in subsidized programs. The result is that the general public eventually is drawn to support the cultural aims and values of a small group of people.

Sometimes this group seizes control by appearing to defend the artists' freedom. The National Endowment for the Arts, for example, has "peer panels" which make grant-making decisions to take the purse strings "out of Big Brother's hands," Douglas Davis noted approvingly in *The New York Times* (October 16, 1987). But what does this do except give the peer panel members the power to become Big Brothers in their own way? Given the jealousies and rivalries among artists, there is no peer panel anywhere that can deal fairly and objectively with all groups in dispensing Federal grants.

3) *Government support of the arts is likely to be inefficient.* This is hard to prove, because there is no market test for government support of the arts. Nobody is permitted to make judgments that are in any way related to the "outputs" resulting from certain amounts of "inputs." In fact, creative people are the first to denounce any control that smacks of cost-efficiency and other measures of the marketplace.

Yet, even people devoted to the arts are finding fault with the actual results of, for one example, the 20-year funding of the National Endowment for the Arts. Hilton Kramer, a former art critic who edited an arts-centered magazine, had this to say about the NEA's performance:

"In general I would say in so far as the creative side of art is concerned—the quality of what artists in America have actually produced —the Endowment has had absolutely no discernible effect on that whatever.

"It is the institutions that have benefited from the Endowment. The greatest benefit has been enjoyed by their administrative officers. The arts bureaucracy has proliferated to an unprecedented degree."[1]

It is not surprising that most of the resources for the arts should be consumed by the managing bureaucracy instead of persons designated as recipients. This inefficiency has always been the curse of Federal programs, and newspaper writers seem to delight in pointing it out. Exposing such inefficiencies never cures the problem, though, because it always turns out that the administrative operations are necessary under the circumstances.

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The Problem of Defining Art

4) *Government programs must define who is an artist.*

Who is really an artist? It's possible that this has been debated ever since artistic expressions began to emerge. In the modern world, this has led to much controversy about abstract art and the value of writing and poetry which nobody seems to understand. But under government systems, judgments have to be made.

In making these judgments, we quickly discover that it is no easy task to define who is an artist, and whose talents or potential merit aid. It often seems brutal when the market for art services rewards one person and seems to neglect another who appears to be more talented. But this brutal verdict of the market seems gentle compared with the arbitrariness public officials have to exercise in selecting those to be helped.

Who should receive help? The truth is, we have people in every society who are capable of artistic expressions. The present author knows a postman who is a gifted actor, an auto body repairman who is a fine sculptor, a salesman who possesses an outstanding baritone, and an engineer who is a painter. They found employment outside the art fields, apparently without feeling ignored or put down by society. Though gifted, they are not unusual and any community will have people with similar talents and interests.

Many Forms of Expression Available

How do these talented people express themselves? Most of them have found outlets in amateur or semi-professional activities. They are also capable people who earn a good living in other fields. Far from crippling their artistic expression, their additional work experience augments it. The sculptor, for example, acquired welding skills as an auto body repairman that gave him an advantage in creating metal forms. A number of amateur artists also sell their paintings at art exhibits or through special arrangements with clients. Singers, dancers, and actors find expression through performing groups that seem to be available in most communities. Now and then, an amateur performer moves into professional work as a result of experience gained.

We should not deplore or belittle the modest efforts of local arts programs. Gifted individuals have to start somewhere—perhaps in a community theater or a local writing club. This is the proper place to discover and develop talent. It's no different from the experience of a major league baseball player who plays his early games on sandlots, or a future National Open golf champion who learns to play on a local course. Talent will usually open its own channels of expression when people are free to choose and free to take actions in their own behalf.

Avoid the Guilt Trap

We can also be made to feel guilty about the seeming selflessness of the gifted artist—a person who places beauty and self-expression above the vulgar interests of the commercial marketplace. It artists are willing to sacrifice everything for their art, shouldn't ordinary people at least be willing to support them?

This is exactly what fine artists and their advocates want the rest of us to believe. In promoting their arguments about the special nature of the fine arts, they are all too human. It bears repeating that every group of producers and consumers seeks its own benefit. Fine artists want to benefit by creating more demand for their services, while the consumers of fine arts want to shift some of their costs to others. Public aid to the arts meets the objectives of each group and also carries the added advantage of appearing to be in the best interests of society.

Does the market ignore fine artists? The fact is, there are always markets for many talented people at various pay levels. A more serious problem is that fine artists and their supporters ignore the market, or supply their services with such cost inefficiencies that it becomes impossible to attract the right amount of voluntary support.

It has long been known, for example, that militant pressure by musicians' unions has driven up costs for symphony orchestras in the United States. The result is that admission

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prices no longer cover costs for most symphony productions and private patrons are balking at further increases in support. Far from taking responsibility for this "market failure," musicians and their advocates demand increased public support to cover the cost gap! In the fall of 1987, for instance, the Detroit Symphony Orchestra became locked in a bitter labor dispute which resulted in cancelled performances. Musicians had sought a pay increase, but management insisted that orchestra survival required an 11 per cent cut in musicians' salaries which, for 91 of the 101 musicicans, were higher than the minimum $47,320.[2]

Though some scorned this level as too low for highly talented musicians, their situation is not really different from other workers, both blue-collar and professional. Highly trained and talented though we may be, the value of our services is finally decided by what people will pay for them. We become unemployed if we insist on holding our wages above what the market will bring to us. And we are on very shaky ground, indeed, when much of our "market" depends on patrons and grants in addition to ticket purchasers.

Featherbedding on Broadway

Union cost pressures have also been a major problem for many theatrical productions. A typical example of this, reported by Carol Lawson in *The New York Times* (February 19, 1982), was a requirement that 25 musicians be employed for the Broadway production of "The Best Little Whorehouse in Texas," though only nine were needed for the performance! This meant that 16 musicians were called "walkers"—people who were paid but did not perform.

Musicians are only part of the problem with soaring costs for productions. Writing in *The Wall Street Journal* (August 18, 1987), critic Manuela Hoelterhoff reviewed the expense items that raised the New York City Opera's costs to $112,452 a day. This compared with a box office gross of $63,503, even at 93.6 per cent of capacity. The cost for a stagehand's services at the opera are $80,000 a year for a regular employee and up to $150,000 for a department head. Expenses for other items including costumes and props seemed similarly out of control—but were probably justified in the thinking that has come to characterize artistic productions in New York. With revenues covering little more than half the operating costs, it's small wonder that subsidies are demanded for operatic groups.

Turning Back Is Unlikely

It's doubtful that there'll be any early retreat from the art subsidy programs now in operation. The National Endowment for the Arts, for example, is well entrenched, with allies who know how to lobby for its continued support. The other groups demanding and receiving various subsidies also know how to justify their programs.

We should keep in mind, however, that conditions of liberty are most likely to bring the greatest advances in art and artistic expressions. Artists also are more likely to thrive and produce in a society where free-market conditions are active. Though some artists resent the demands and requirements of the marketplace, the best opportunities for real improvements in the arts are provided by a wholly free market.

One of the best examples has been the high *employment* rate for talented people in the United States. The "starving artist" has been pitied, but the truth is that America offers much well-paid employment for people in various artistic professions. Writing in *The Wall Street Journal* (November 10, 1987), Economist Randall K. Filer noted that people in artistic categories earned only $750 less than the average for all U.S. workers. Beyond that, employment for artists had grown considerably between 1970 and 1980, and most artists have been able to stay in their own professions.

It's true that much of this employment is in work that is scorned by some who view it as degrading for a writer to produce advertising copy or for an illustrator to apply his talents to catalogs. In fact, however, talented people who can find these profitable outlets for their services are very fortunate—and they should reflect upon the fact that less developed societies usually have nothing to offer the artist. Even the masters of earlier times were really commercial artists—as anybody can tell by noting

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that the subjects of great paintings were often members of the nobility who gave the artists employment.

Another important point is that the technological advances of a market-driven economy also benefit the artist. Thanks to many developments, artists now have materials and processes that simply did not exist 100 years ago. Photography, for example, became a new art form that branched into motion pictures and now has added expressions in video productions—all giving artists more latitude and opportunities. Technology has also created new materials for painters and sculptors, new instruments such as the Moog Synthesizer for musicians, and better methods of producing and retaining artistic work. Thanks to technology, future generations will be able to listen to our great singers and see our leading actors on the screen.

The free market also gives artists the opportunity to follow their own aspirations in seeking full expression. The diversity that characterizes the art fields is also a strength. The artist, in order to survive and become recognized, usually needs only the opportunity to seek out a small number of allies and supporters. For a painter, this might mean only a group of local admirers who are willing to buy his work. For a writer, it might mean only a few small magazines who will publish his material or perhaps a shoestring publisher who will risk the money it takes to produce and market a book. For a creative professional person like an architect, all that's required is one client who is looking for an unusual idea. There is no better example of the last than Frank Lloyd Wright's design of the famous house, "Fallingwater," in the middle of the Great Depression. There's little doubt that most builders and certainly any government agency would have scorned his concept of a cantilevered house over a waterfall—but Wright needed only the financial support and approval of his client, Edgar J. Kaufmann, to transform the idea into a spectacular artistic success.

Peaceful Means Needed

The quest of the artist always comes down to freedom of choice—and Ludwig von Mises argued that this could not be available in a socialist society. But he insisted that artists have many alternatives under capitalism—they can seek to sell their work, they can look for rich clients and patrons, or they can support themselves in other ways and pursue art avocationally. It is also possible that artists may have some difficulty along the way, but this cannot be avoided. For the artist, Mises thought, "it is impossible to smooth the way that he must tread if he is to fulfill his destiny. Society can do nothing to aid progress. If it does not load the individual with quite unbreakable chains, if it does not surround the prison in which it encloses him with quite insurmountable walls, it has done all that can be expected of it. Genius will soon find a way to win its own freedom."[3]

There is also no need to fear for the future of art or individual artists. The human impulses to express in various art forms run deep and have a long history. We know that art was already developing thousands of years ago in primitive societies of hunters and gatherers. No matter where we turn, we will find people expressing themselves as writers, as performers, and as painters and sculptors. As we continue to press ahead in technology and general work becomes easier, there will be more time for the serious artist in every field. There will also be more opportunities unfolding, just as the current century has given more artists employment than at any time in history. The more affluent we become, the more we are likely to appreciate all forms of art and to demand greater artistic expression in all things.

Who should support the arts? The arts should be supported by people using voluntary, peaceful means. All of us help support the arts when we're seeking entertainment, buying well-designed products, attending a performance, or choosing a book. It's all part of our human existence—and the best expressions of art are yet to come. The highest and finest expressions will be produced by artists who have the freedom to develop their own gifts as they will. □

1. Quoted in *The Washington Times*, September 23, 1985, in an article by Jane Addams Allen entitled "The Arts of Government." (In fairness to both Mr. Kramer and Ms. Allen, neither should be represented as supporting all the points in the present article.)
2. *The Detroit Free Press*, October 4, 1987.
3. Ludwig von Mises, *Socialism* (New Haven: Yale University Press, 1951), p. 190.

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Public Funding for the Arts: Diamond or Daub?

by Eugenie Dickerson

There are things that government should never touch—religion, free press, the arts. . . . I learned how badly bureaucrats can mangle the last category when I served on an arts board, and because I respect the independence of the American mainstream to sift classical art from con art.

All across the continent, the public questions the picks of tax-funded arts boards.

New York City is the scene of bitter opposition to the sculpture "Tilted Arc." The 120-foot-long wall was hatched in the Federal Plaza in Manhattan in 1981 out of a Federal art-in-architecture grant. The General Services Administration bought the 73-ton, rusted steel sculpture for $175,000. The government has since decided to search for a more appreciative site for it.

Richard Serra, the sculptor, in turn filed suit, claiming that relocation of his work would violate his free speech right. Also involved in the suit were breach-of-contract, copyright, and trademark counts.

In August 1987, Senior U.S. District Judge Milton Pollack ruled that relocating "Tilted Arc" doesn't violate Serra's right to free speech, since the GSA owns the artwork. The other three counts were also dismissed, because of the government's sovereign immunity from these claims.

Chicago bought a huge, red-brown metalwork that looks like a woman from one angle and a horse from another. Nobody doubts that the artist had a reputation, but so did P. T. Barnum.

In Tacoma, Washington, one per cent of the cost of new public buildings and remodeling projects was set aside to be spent on public art. As decoration for their new stadium, Tacomans wound up with a string of neon lights in lopsided letters and squiggles for $272,000.

Tacomans raged. They forced the issue onto the ballot and voted 3 to 1 a recommendation that the work be removed. In a reverse type of censorship, the officials claimed the public needed a visual challenge and the thing would stay no matter what the tastes of the public.

But the people *really* hated the lights. Another drive was undertaken, this one to withdraw the one per cent of capital improvement funds earmarked for the arts. This vote was binding and successful.

The neon lights remain today, but the bureaucrats haven't money to buy more kitsch. The Tacoma City Council allows Tacoma Dome renters the option of turning off the neon sculpture. Most do.

Elsewhere in Washington, the art picture is more embarrassed than angry. The Legislative Building in the capital, Olympia, sports a mural known as "The Twelve Labors of Hercules." Raised in 1981, the work has been covered over since 1982 when state representatives declared it obscene. In April 1987, the legislature voted to remove the work.

But this isn't a painting that can be pulled off a hook and rehung in the back room. This is artwork painted directly onto the wall of the House Chambers. Options are few: "Hercules" may be painted over, peeled off (with major damage to the artwork), or the state may disassemble the wall for relocation. Hobson's choice.

The artist, Michael Spafford, had another

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WIDE WORLD PHOTOS

An exhibit by local arts groups in the Tacoma Dome.

idea. In May 1987, he filed suit to keep the mural in place, regardless of the fact that he had been paid for the work and regardless of public opinion.

Yet "The Twelve Labors of Hercules" had been selected and approved by a peer panel process ahead of painting. Not surprisingly, the art community sympathizes with Spafford.

There's nothing wrong with the principle of public funding for the arts, believes artist and dealer Laura Velaz of Redmond, Washington, as long as the right persons choose artwork appropriate for the intended site. This was managed nicely in fifteenth- and sixteenth-century Europe. "But," she says, "the Medicis had taste."

"Hercules" is the sort of disaster that can't be left up, can't be taken down, and can't be photographed and published in full in the newspapers.

My personal education on public funding for the arts began when my community received county money for a writers' club. I was asked to sit on the board because I had sold a few magazine articles.

Indeed, all of us on the board claimed some personal interest in writing. One said she had done the actual writing for a best-selling book printed with only her husband's byline. Another wrote a play, unpublished. A third did unpaid editing for her church newsletter. One more was married to a doctor who contributed generously to the arts.

Yet the area arts newsletter (a publicly funded freebie) billed the group as "a specialized panel of experts in Literary Arts." Purchases of artworks and arts services nationwide are made by the peer review jury system. But for us, gathering artistic peers was more easily said than done.

How did the writers' board dole out the county "one per cent for the arts" funds, together with club dues? Right away came the post office box. Never mind that for its first four months the box received not one piece of mail. The measure was necessary because "a first-class organization needs its own address," board members said.

Most of the money was spent on newsletters, postage, coffee, and meeting room rents. But when asked by taxpayers where the money went, the first answer was invariably "to pay speakers who are professional writers." In truth, less than a third went to direct encouragement of working writers.

And which writers did the club get for speakers? There were two main types: the ex-writer who began teaching when the muse de-

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parted, and the Californian who gave readings from his book on how to found a commune.

Successful writers such as Ernest K. Gann turned us down. "Authors should be read and not seen or heard," he said. And he was right. Writers develop by writing and reading, not by listening to someone else's experiences.

The very premise for this public expense is wrong. In these days of budget deficits, does the public really want to fund dilettantism?

Public dollars should shy from art not because art is frivolous, but because no small group can set the value of art. In that respect the arts are no different from religion or a free press.

No more should public funds pay for someone's art opinion than public funds should pay my pastor's salary or pay this publication for printing my opinion. □

Freedom Footnote

by Paul Rux

"The economist's stock-in-trade—his tools—lies in his ability and proclivity to think about all questions in terms of alternatives. . . . The win-lose, yes-no discussion of politics is not within his purview. He does not recognize the either-or, the all-or-nothing, situation as his own. His is not the world of mutual exclusives. Instead, his is the world of adjustment, of coordinated conflict, of mutual gain."*

There's an old saw about finding great value in small packages. In this case, the textbook footnote cited above opened my eyes to the salient difference between the free market and state intervention in allocating resources.

The footnote is remarkable because it succinctly suggests why the free market is preferable to statism. It emerged as one of the critical insights in a summer of rigorous Ph.D. study of school finance at the University of Wisconsin at Madison. Despite its obscurity, the footnote's bold, bald defense of freedom is worthy of comment.

The footnote reminds us that state action is political. In politics, there's always a "win-lose" situation. For someone to gain, someone else must lose. It's "all-or-nothing," "either-or." Take, for example, an election. There's just one winner. Somebody else must lose and bow to the dictates of the winner. Consequently, whenever the state intervenes, the dynamics of politics are at work; people struggle to avoid ending up empty-handed, bitter, and bossed. For all his faults, Lenin aptly summed up politics as "who/whom." Who's doing what to whom?

Conversely, as the footnote also suggests, in the free market the key is "mutual gain." You give something of value to get something of value. This is a "win-win" situation. Consider, for instance, the purchase of a suit. The customer exchanges money for clothing. The haberdasher gains dollars; the customer gains a new outfit. Both are winners.

In a nutshell, the textbook footnote suggests the superiority of the free market over statism. In the free market, "mutual gain" fosters choice and cooperation, as resources tend to fill the needs of everyone. "Win-lose" statism co-opts these resources and sows division and alienation.

These are our choices. It was quite a surprise to find them spelled out lucidly in a textbook footnote! □

* Walter I. Garms, James W. Guthrie, and Lawrence C. Pierce, *School Finance: The Economics and Politics of Public Education* (Englewood Cliffs, New Jersey: Prentice Hall, 1978), pp. 75-76.

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Some Thoughts on Discrimination

by George C. Leef

"Discrimination" has become a politically and emotionally charged word. To accuse someone of discrimination these days is to accuse him of vile, almost criminal behavior. To say that you advocate legislation to outlaw discrimination and punish those who engage in it will almost surely earn you high praise for your "enlightened," "forward-looking," and "compassionate" point of view. We today devote considerable resources to an endless battle against discrimination. Failure to support this battle with enough enthusiasm will quickly earn you an "anti-civil rights" label.

I maintain that the state of affairs I have described above is foolishness based on some obvious intellectual errors. In the following essay, I hope to make clear exactly why I have reached this conclusion, and what conclusions should be drawn regarding discrimination.

First, I approach this subject from the perspective of a liberal—in the older and correct political meaning of the term. That is, I believe each person has the inherent right to live his life according to his own choices, so long as he does not violate the equal rights of others to do the same. Each of us has a natural right, as John Locke put it, to life, liberty, and property. It is necessarily wrongful for others, therefore, to deprive you of your life, to prevent you from acting as you choose, or to seize or destroy any property you have justly acquired.

This philosophy, I hasten to add, is not a prescription for utopia. Even if everyone consistently adhered to it, there would still be plenty of unhappiness, frustration, and disappointment in the world. Your freedom of action entitles you to do a great many things which do not violate any of my rights (life, liberty, property, or particular rights I may have under contracts) and yet may displease me very much. You can shun my company, refuse my business overtures, criticize my political preferences, or outcompete me, to name just a few. Your actions may be wise or stupid, but you are entitled to take them.

Thus, a world of maximum liberty is not going to be a world of perfect contentment. But it is (or would be) a world affording each person, no matter what his station in life, the best opportunity to live his life happily. Furthermore, it would be a world free of violence and the threat thereof—certainly a most desirable situation.

If you accept my premises regarding human rights, let's see where logic leads us. (Incidentally, I have never met anyone who doesn't claim these rights for himself, who has no complaint about others acting to deprive him of his life, liberty, or property. If you claim these rights for yourself, intellectual consistency seems to dictate that you respect them in others.)

Assume that you want to buy a widget and there are four sellers nearby. You decide to do business with Seller 1. Without any doubt, you have acted within your rights. You have deprived no one of life, liberty, or property when you made your transaction with Seller 1. Sellers 2, 3, and 4 may be unhappy over your

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decision to patronize Seller 1, but you have not violated their rights.

In choosing to do business with Seller 1, and not the others, you have discriminated. That is the very meaning of discrimination—to favor one thing over another. Everyone does so every day. It is an unavoidable consequence of scarcity. And as we have just seen, it does not entail violation of anyone's rights.

Now, does it make any difference *why* you made your choice? Returning to our shopping example, no one would think you had done anything wrong if you had looked at the goods available in the other stores and decided upon Seller 1 because he had a better price or quality. In that case, you had a good reason for making your choice.

But what if you had what many people would regard as a *bad* reason? Assume that Sellers 2, 3, and 4 are all members of a religion different from yours while Seller 1 happens to belong to your church. Or, we can make the example even stronger: you *dislike* the religion of Sellers, 2, 3, and 4, and do business with Seller 1 only because you are indifferent to his religion. This situation corresponds more closely, I believe, to what most people regard as "true" discrimination, a refusal to associate based upon some antipathy. If this is your reason for making your choice, have you violated anyone's rights?

The answer is still no. You have no more deprived Sellers 2, 3, and 4 of anything to which they are entitled than when your decision was based upon a "good" reason. Since others are not *entitled* to your business, your reason for making your choice is irrelevant. You are within your rights to choose—discriminate—upon any criterion whatever. This conclusion follows from the assumption that an individual has a right to act in any way he chooses so long as he does not violate the rights of others.

Finally, consider this possibility. Suppose that you know of the existence of Sellers 2, 3, and 4, but you've heard some unfavorable comments about them, and always buy from Seller 1, whom you know. You haven't even given Sellers 2, 3, and 4 a chance at your business. Have you violated their rights? No, you have not. If you agree that a person is free to use his time as he sees fit, you must say that he may decide not to spend it in searching out information about others. In other words, nothing obligates us to ensure that every one of our decisions is "fair" to everyone who might have been chosen. Making a choice in ignorance about the nature of those discriminated against may be foolish, but it does not violate anyone's rights.

The Right to Choose

At this point, let's note that to say that you have a right to make choices upon any criterion you like does not mean that others have to regard your choice as wise or good. If we go back to the case where you won't buy from Sellers 2, 3, or 4 because you dislike their religion, most people, if they knew that was your reason, would conclude that you were irrational and perhaps even venal for your prejudice. Similarly, in the last case, others might think you a poor shopper for refusing even to consider any seller except the old tried and true. But none of that matters with regard to your right to choose.

If a buyer of goods and services (a consumer) is thus entitled to make any purchasing decision he wants for any reason, is not the same true of a seller? In fact, sellers are buyers too—buyers of labor services, among other things. Let us say that a businessman has a job opening and receives four applications. He can hire only one person. The others will be disappointed. If our previous reasoning was correct, do we not have to conclude that the businessman is entitled to choose among the applicants no matter what his criterion for selection might be? It's his money and property that we're talking about now, but remember that he has the same rights as you do. If the businessman wants to decide on the basis of race, religion, sex, or unverified assumptions, he is just as much within his rights as you were to buy according to your criteria. He may be acting foolishly (some might even argue immorally), but he does not violate the rights of those not chosen. Because the property is his, the right of choice is his.

What I think we have to conclude, then, is that discrimination in buying or selling or hiring or admitting or associating or any other

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peaceful endeavor should not be subject to legal restrictions. Since, as we have seen, making such choices is within a person's rights, to force him by law to deal with people he would prefer not to deal with is to violate his rights.

We, of course, have such laws in the United States. Institutions (business firms mostly) which are found by a governmental agency to be guilty of discrimination can be required to begin an "affirmative action plan" whereby they agree to increase their employment of people from "underutilized" groups to a level acceptable to the government.

Such legislation is an assault upon freedom. It is one more step along the road to an engineered society—a society in which people may do as they please only as long as the results of their actions don't upset the government's plans. This I find to be a frightening prospect. It should even frighten the advocates of such governmental power. How can they be certain that the power to control, which they like so much when it is in their hands, will always be in their hands?

Furthermore, "anti-discrimination" laws, while meant to rectify injustices, can in fact be a source of injustice. To illustrate, suppose that a business owner interviews but decides not to hire a person who is in one of the "protected classes" under anti-discrimination law. Assume that the applicant who was hired had superior qualifications. But this is no guarantee that the disgruntled applicant who was not hired won't begin legal action against the owner *alleging* that he or she was discriminated against—rejected solely because of race or sex for instance. The legal proceedings will be costly to the business owner even if he is vindicated, and it is entirely possible that he could lose the case. Discrimination cases, after all, depend on establishing the frame of mind of the decision-maker, and it is quite conceivable that the owner may be unable to successfully rebut the allegation of "discrimination." All of this, I submit, is an injustice to the owner.

Also, the government's favorite remedy for "discrimination," namely "affirmative action," can be unjust to future applicants. To fulfill his mandated quota of employees from a certain category, the employer may have to turn down a qualified applicant who fits into another category.

A very poor but hard-working Vietnamese refugee, for example, might have to be rejected because the employer needs to hire a member of some other ethnic group to avoid legal trouble with the government. The person hired may be less in need of this job and less industrious than the Vietnamese who was passed by, but individual merits are necessarily overlooked when the government insists on treating people as group members rather than as individuals. Whether the nation is any more just as a result of anti-discrimination laws is highly debatable. What is not debatable, however, is that the enforcement of such laws violates the rights of the people against whom they are enforced.

Overcoming Prejudice by Law

What arguments do the advocates of anti-discrimination laws put forward? Their principal contention seems to be that by compelling those who practice discrimination (in the pejorative sense) to associate with the people against whom they are prejudiced, the prejudice will be overcome. And if we agree that the world is a better place without irrational prejudice, haven't we accomplished something good? Isn't it narrow-minded to oppose such laws and the good they do just because it may be a violation of the rights of those compelled to associate against their will?

There are two problems with this argument. First, it assumes that there are beneficial results from forced association. While this is possible, the opposite may be true.

Suppose a seller is required by law to hire people from group Z until at least 10 per cent of his work force is composed of Zs. Perhaps this, in time, will show the seller that his prejudice against Zs was a mistake, and perhaps the non-Zs in the population who are prevented from getting a job with the seller will not be harmed or develop any prejudice against Zs as a result. If that happens, we then have less discrimination.

But the opposite may occur. The Zs whom the seller is forced to hire may prove to be worse employees than the non-Zs, and non-Zs

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who now find it more difficult to find jobs may blame their situation on the Zs. Even if you don't think that it is wrong to force someone to associate with others against his will, you should be hesitant to assume that the plusses outweigh the minuses. Governmental policy which officially favors a certain group or groups is apt to impose hardships on all who are not favored. If our goal is to end prejudice and injustice, a policy which itself will produce some of those undesirable things is one we should hesitate to adopt.

The second problem with the statist argument for compelled association is that it assumes that there are no ways to reduce the amount of irrational prejudice in society except by resorting to force. So often, when people identify an imperfection in society, the immediate impulse is to call upon the state to remedy the imperfection. It is easy to understand this impulse. For decades, government has been quick to jump in with "solutions" to all sorts of perceived social ills. Many Americans are now, in effect, government junkies. It doesn't even occur to them that non-governmental efforts to solve a problem are possible and might prove more effective.

For example, if you think a seller discriminates against Zs and you want him to stop, you could approach him and point out his folly, perhaps offering evidence of the success of Zs elsewhere. If that doesn't work, you might offer him a financial incentive to hire one or more Zs (maybe you'd pay for their training). Still no results? You could publicize the seller's refusal to go along with your reasonable proposals and encourage poeple to do business elsewhere. You could even go into competition against the discriminatory seller, employing people, including Zs, strictly on the basis of merit. Successful competitors often teach businesses lessons in an indelible way. And there are probably other things I haven't thought of which could be done without turning to the coercive power of the government.

If it is possible to reduce or eliminate a problem without creating more governmental power, we should do so. To give any government the power to dictate with whom we will associate, and the power to try to change the way people think, is to create the potential for great tyranny. History is rich with examples of power which was originally conferred with the expectation that it would be used for good but later was turned to evil.

A Mere Sideshow?

Finally, I think it worthwhile to ask whether all the furor over "discrimination" isn't beside the point. As I stated earlier, where you stand on anti-discrimination laws is for many people the litmus test of your commitment to civil rights and economic progress for minority groups. But what if such laws are neither necessary nor sufficient to bring about economic progress for the groups they are supposed to help? What if this is merely a noisy and unimportant sideshow, diverting attention from issues which really do matter? I think that is the case.

In the past, one unpopular ethnic group after another made dramatic economic progress in this country, despite the fact that there were no laws against discrimination and no affirmative action plans. And there certainly was much overt discrimination. But there was also nearly unrestricted economic freedom. In the nineteenth and early twentieth centuries the U.S. economy was substantially free of the oppressive burdens of taxation and regulation. Even though some doors were closed to a person due to discrimination, there were always a great many open. Opportunities abounded for each person to acquire skills and use them advantageously in a climate of economic freedom.

Conditions are different today. Due to the degeneration of many of our public schools, particularly in inner-city areas, huge numbers of young people now enter the labor force with extremely poor reading, writing, and mathematics skills. Such people will face discrimination all their lives—discrimination based upon their lack of ability. And due to occupational licensing, minimum wage legislation, and a web of other regulations, it is much harder for many people, especially from a "disadvantaged" background, to find a job and begin a career.

America is far less a land of opportunity than it once was, and it is this sad fact which the people who loudly proclaim their devotion to

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civil rights and justice for minority groups should be protesting. Rather than wasting time in trying to artificially engineer equality through state-enforced hiring quotas, I submit that they should join forces with those who advocate a free economy.

As long as our educational system is failing and there are numerous legal obstacles which hinder or prevent people from trying to better themselves in peaceful and productive ways, even the most vigorous enforcement of anti-discrimination laws will not improve the plight of the poor. On the other hand, if we open up our economy so that all can have a chance at advancement, there soon wouldn't be even an appearance of a need for anti-discrimination laws.

To discriminate is simply to choose one thing over another. Unavoidably, we all discriminate every day, choosing with whom we will associate and with whom we will do business. Some of our choices are wise, and some are foolish, although we may not think so at the time. Some decisions are fair to others, and some appear to be quite unfair. But in all instances, the individual has the right to make the choice. With whom we choose to do business or choose to associate with socially are decisions which are entirely within our rights to make. No matter how we make such decisions or what our reasons are for making them, we do not violate the rights of any other person when we do so.

Laws against discrimination are inconsistent with the concept of a free society where the role of the government is to protect each citizen's rights to life, liberty, and property. It is no part of the protection of one person's civil rights to interfere with another person's freedom of choice. Anti-discrimination laws not only violate the natural rights of those against whom they are enforced, they also create injustices. Instead of further expanding the power of government over the individual as these laws do, we should instead reform our present laws to eliminate barriers to opportunity. The solution to our problems is more freedom, not less. □

IDEAS ON LIBERTY

Discrimination

If man is to continue his self-improvement, he must be free to exercise the powers of choice with which he has been endowed. When discrimination is not allowed according to one's wisdom and conscience, both discrimination and conscience will atrophy in the same manner as an unused muscle. Since man was given these faculties, it necessarily follows that he should use them and be personally responsible for the consequences of his choices. He must be free to either enjoy or endure the consequences of each decision, because the lesson it teaches is the sole purpose of experience—the best of all teachers.

When one's fellow men interpose force and compulsions between him and the Source of his being—whether by the device of government or otherwise—it amounts to interrupting his self-improvement, in conflict with what seems to be the Divine design. Man must be left free to discriminate and to exercise his freedom of choice. This freedom is a virtue and not a vice. And freedom of choice sows the seeds of peace rather than of conflict.

—F. A. HARPER

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The Job Abacus: No Guide to Public Policy

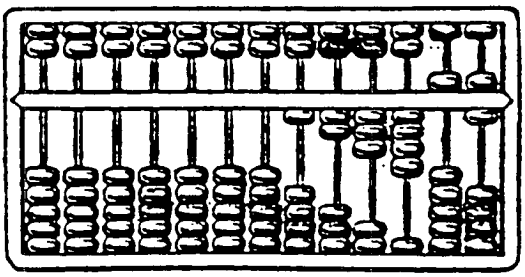
by James E. McClure and T. Norman Van Cott

Media economic "experts" typically gauge economic events by counting jobs. Regardless of the issue, they measure the desirability of policies and outcomes in terms of the jobs that are allegedly created or destroyed. To the "experts," a never-ending shortage of job opportunities is the fundamental economic problem against which public policies must be arrayed.

Over the last few years, this mind-set has been especially visible in media discussions of government policy toward international trade and plant closings/relocations. With respect to international trade, it is common to observe comparisons of jobs embodied in exports and jobs "lost" because imports are not produced domestically. International trade is judged good or bad depending on whether export-related jobs exceed or fall short of import-related jobs. The reasoning with respect to plant closings/relocations is similar—the change is beneficial only if employment is greater at the new production facilities than at the old facilities.

Regardless of what the experts' abacuses tell us, however, we contend that their answers are irrelevant for measuring economic success.

Professors McClure and Van Cott teach in the Department of Economics at Ball State University, Muncie, Indiana.



They contradict the fundamental proposition upon which all economic analysis is based—resource scarcity.

Out of Eden

Ever since the debacle in the Garden of Eden, mankind has had a seemingly unquenchable thirst for goods and services. Mankind simply cannot command sufficient labor, capital, and raw materials to produce enough goods and services to satisfy this thirst. Consequently, men have had to choose those goods and services that they value most. Such choices necessarily require the choosers to give up things that are also valuable to them, albeit less valuable than the options they select. In this way, people always fall short of the satiation achieved in the Garden. As long as lower

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valued options are sacrificed in favor of more highly valued ones, however, people are doing the best they can given their limited circumstances.

Humans out of Eden are thus cursed with unlimited desires in a fallen world of limited resources. The term that economists use to describe this circumstance is scarcity, and it is this scarcity that undermines the efforts of the job counters.

Scarce Resources Mean Overabundant Jobs

Man's inability to satisfy all his desires implies, by definition, that there are employment opportunities which continually go begging. These opportunities are not seized because they are among the lower valued uses of peoples' limited resources. Potential producers cannot and will not produce when consumers aren't willing to make it worth their while. It always should be remembered that jobs are performed for the mutual benefit of producers and consumers. Without this mutuality, jobs are not filled in a free society. Indeed, the fact that jobs are not filled when this mutuality is absent means that the community is better off overall.

Although an unquenchable thirst for goods and services relative to productive capabilities precludes a scarcity of jobs in general, one can correctly argue that there is a shortage of "good" jobs. Overcoming a scarcity of "good" jobs, however, is not susceptible to the quick-fix nostrums of the alleged media experts. Quite the contrary, sustained success in dealing with this latter scarcity is possible only with increases in an economy's productive capabilities. U.S. economic history validates this latter point to even the most casual observer.

Then Why Is There Unemployment?

How can one reconcile the idea of job overabundance with the observation that unemployment is and has been an economic fact of life? Economists have long noted that dynamic, growing economies always have unemployed resources. This dynamism inevitably means that the locations of some job opportunities are always changing. Those losing jobs as a consequence of these changes are not fully aware of where new opportunities are emerging, nor are employers with the newly available jobs fully aware of potential employees. It is beneficial for all concerned to devote time to "job search"—a euphemism for what is popularly known as unemployment. Search enables employees to find better jobs while simultaneously enabling employers to find better employees. Although stop-start government monetary and fiscal policies disrupt the ease with which this matching occurs, better employer-employee matches lead to higher living standards.

While unemployment due to job searching, properly seen, increases wealth, other forms of unemployment destroy wealth. The latter emanate from the coercive power of the state. For example, government-sanctioned monopolies in labor and product markets prevent some people from producing higher valued goods and services. The excluded resources are forced into either unemployment or lower-valued alternatives. Likewise, minimum wage laws prevent the unskilled from selling their services at a price that is attractive to consumers.

Economic Success and the Job Abacus

Having an actual, honest-to-goodness number upon which to judge economic phenomena is a security blanket for media experts and laymen alike. It not only eliminates the need for rigorous thinking, it also enables one to exude a sense of precision about the matters at issue.

Unfortunately, the job abacus diverts attention from the first principles of economics. Instead, attention becomes riveted on a number that, though it is meaningless in an economic sense, is potentially dangerous to our economic health. Changes in technology, managerial techniques, and consumer desires come to be seen as enemies.

History is replete with examples showing that the economic race is always won by those societies most open to these changes. If we wish to promote economic success, it is better to remember the lessons of economic history and forget the job abacus. □

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Government Regulation of Air Safety May Be Hazardous to Your Health

by John Semmens

One would guess from media accounts that it is a proven fact that the skies are less safe due to the 1978 airline deregulation. Whether it be stories of actual crashes or near-collisions, hardly any coverage ends without implying that deregulation is at fault.

It is not that the implication of blame is totally implausible. As advocates of deregulation predicted, air travel is less expensive and more frequent than would have been the case had airlines not been deregulated. In 1987, U.S. airlines flew a record number of flights and passengers—more than a 50 per cent increase over pre-deregulation figures. Obviously, then, the skies are more crowded. And, of course, more crowded must mean more dangerous. Right?

Well, the indictment of deregulation is wrong on two major counts. First, the statistical data show that contrary to what one might surmise, the rate of accidents and fatalities is *lower* in the post-deregulation period. Second, the hair-raising reports of near-collisions at busy airports reveal that there may be serious problems with air traffic control and the allocation of takeoff and landing rights. However, both air traffic control and airport operating practices are public sector activities that have *not* been deregulated.

John Semmens is an economist with the Laissez Faire Institute, a free-market research organization headquartered in Tempe, Arizona.

The Federal Trade Commission has compared the 1979–1987 post-deregulation record with the 1970–1978 pre-deregulation period. The figures reveal that the accident and fatality rates have declined for all categories of commercial aviation since deregulation. The table on the opposite page provides a summary.

The evidence very clearly shows an improvement in commercial air safety in the U.S. Not only is the accident rate lower, but the number of fatalities is lower despite an increase of over 100 million passengers between 1978 and 1987.

Perhaps the reason these real gains in air safety are not being heralded is the unwillingness of those with an interventionist agenda to accept the implications. From the standpoint of satisfying consumer demand, deregulation is an unqualified success. If interventionists had to concede that flying is also safer, they would have little leverage for undermining the market solution to transportation needs.

So, instead of being encouraged by verifiable gains in safety as represented by decreases in crash rates and fatalities, the public is being bombarded with hysteria bolstered by less precise measures of safety. Two favorite indicators of the allegedly rising danger are the increasing reports of near-collisions and the rise in Federal Aviation Administration (FAA) citations for violations of safety regulations.

The rising reports of near-collisions, how-

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Commercial Aviation Accidents

Category	1970-1978	1979-1987	% Change
Major Airlines			
Accident rate*	.580	.266	−54
Fatal Accident Rate	.088	.037	−58
Charter Airlines			
Accident rate*	2.010	1.220	−39
Fatal Accident Rate	.354	.296	−16
Air Taxis & Commuters			
Accident rate*	4.830	3.300	−32
Fatal Accident Rate	1.080	.780	−28
All Commercial Aviation			
Accident rate*	2.340	1.570	−33
Fatal Accident Rate	.496	.355	−28

* The accident rate is accidents per 100,000 flight hours.

ever, might be the result of a more determined effort to look for them. Raising the number of citations could be viewed as a way of creating an apparent need for more FAA funding and authority. Or it could be seen as an increased safety enforcement program made possible by the elimination of the distractions involved in regulating fares and routes. Thus, an increased ability to concentrate on safety enforcement would stand as a desirable by-product of deregulation.

Safety Not Deregulated

Few media stories on air safety make it clear that safety was not deregulated. The FAA retains its extensive responsibilities for aviation safety standards. The FAA is also the operator of the air traffic control system. It is this control system that is supposed to keep planes from running into each other. Further, it needs to be pointed out that all of the overcrowded airports at which the near-collisions are occurring are publicly owned facilities.

The FAA and the public sector owner-operators of airports have neglected to employ the most obvious means of coping with dangerous overcrowding. Failure to charge compensatory fees for scarce landing and takeoff slots has resulted not only in misallocation and inefficient use of resources, but reckless endangerment of the flying public.

Time-of-day pricing is clearly needed at busy airports. Yet, publicly owned facilities routinely base landing fees on weight alone. No adjustments are made for whether the landing takes place during hours of peak demand. Lack of differential pricing leaves no way of measuring the relative value of the scarce landing and takeoff slots.

Because of this system, small, non-radar-controlled planes are attracted into the crowded airspace near busy airports. A demand-based pricing scheme would divert all but the most urgent uses of this crowded airspace to less congested reliever airports. Instead, public officials resort to arbitrary landing slot allocation schemes and much hand-wringing over the threat posed by the small, non-radar-controlled planes.

It is not as if the concept of metering demand via peak/off-peak pricing differentials is unknown to public aviation officials. The airlines themselves are masters of the techniques of using price differentials to obtain higher fares from time-sensitive travelers, while using bargain prices to lure more discretionary travelers to fill what otherwise would be underutilized excess capacity during off-peak periods. The operators of airports and the air traffic control network could manage demand in the same way. Their failure to do so not only wastes time and money, but may be subjecting fliers to unnecessary risks.

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Why is it that airlines use this simple marketing strategy, and public authorities do not? Airlines, as privately owned, profit-seeking enterprises, have a strong incentive to pursue efficiency. Airports and the air traffic control system are run by public entities that have little incentive to be efficient. An airline that fails to manage demand and capacity efficiently faces economic losses. An airport that fails to manage demand efficiently is apt to use the peak-period shortage of capacity to demonstrate the "need" for a larger budget and greater subsidies.

Even when it is conceded that the profit motive spurs efficiency, it is frequently asserted that it is insufficient to promote safety. Just why this assertion should be accepted is never very clearly demonstrated. Often, the only evidence offered is a slogan like "people before profits." Overlooked is the reality that catering to the wants of people (including the desire for safety) is the marketplace's only path toward profitability.

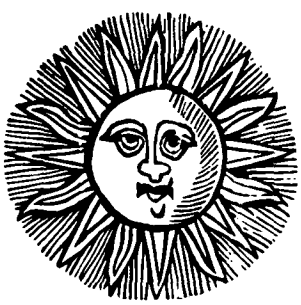
Crashes cost money and disrupt business. For example, the stockholders of McDonnell Douglas lost an estimated $200 million in market value of their shares following the crash of a DC-10 in 1979. A perceived safety hazard costs profit-seeking firms money. What does it cost the FAA or public sector airport operators?

The risks to travelers being generated by public sector mismanagement serve as the basis for expanding government budgets and authority. The near-collision dangers created by public sector failure to adopt rational pricing are the very arguments advanced for granting the FAA more power and resources. The dangers fostered by mismanagement of airport capacity are the key argument for higher appropriations to build more runways or additional airports. Could anyone conceive of a more perverse system for running an air transportation network?

The alarms being sounded over air safety are pointing to precisely the wrong answer. It is not that deregulation of fares and routes has gone too far. Rather, the proper message would appear to be that deregulation has not gone far enough. Deregulation of fares and service has been a success because it cleared the way for the profit motive to perform its function of stimulating improvements in air service. If safety lags in any way, it is because the profit motive of the main actors (the FAA and municipal airport authorities) is largely nonexistent.

Without a strong profit motive to guide the management of airspace and airport capacity, we will have no recourse but to continue to rely on the good intentions of public officials. But are the intentions of politicians and bureaucrats so reliable that we should choose them over the proven potency of the profit motive in a competitive market? Perhaps trusting to such good intentions is an act of blind faith that is too risky to justify. □

Last call!



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A REVIEWER'S NOTEBOOK

Wedemeyer on War and Peace

by John Chamberlain

When General George Marshall, a good judge of character, was looking around in the summer of 1941 for a Victory Plan in case we got into war with the Axis powers, he asked Albert C. Wedemeyer, then a major with experience as an exchange student at the German War College in 1936-38, to draft one for him. It was a shrewd move on Marshall's part.

Wedemeyer himself has told the story of his life in his autobiographical *Wedemeyer Reports*. Now we have a selection made by Keith E. Eiler from papers that have been placed on deposit at the Hoover Institution in Stanford, California, published as *Wedemeyer on War and Peace* ($25.95 cloth, $18.95 paper). Some of the papers, if published in the late 1940s, might have altered history in China, but, as Madame Chiang Kai-shek has said, they now come 40 years too late. Wedemeyer, who had been our Far East commander in the provisional Chinese capital of Chungking in 1944 and 1945, warned President Harry Truman that if we did not support Chiang Kai-shek with arms, the Mao Tse-tung Communists would take over. Using weapons seized from the Japanese, Mao did take over, forcing Chiang and the Kuomintang Chinese government to seek refuge on Taiwan, which continues as a free enterprise bastion in Asia.

Wedemeyer's concern was to preserve as much of the world as he could for free enterprise capitalism and democracy. He was all for settling international affairs by peaceful negotiation, and was dubious about the ultimate uses of fighting unless war aims were clearly defined. The fact that Wedemeyer had been a Nebraska isolationist for some years after World War I, a war which had failed to make the world safe for democracy, did not bother Marshall. He had been competently briefed by Wedemeyer on the work of the German War College and he knew that Wedemeyer would put isolationist feelings to one side if he were asked to assume responsibility for a Victory Plan.

Pearl Harbor put Wedemeyer into the war as "Marshall's planner" in a truly active capacity. The Victory Plan, as originally conceived, called for defeating Hitler on the North European plain that was easily accessible from Britain if landing craft were available in sufficient quantity. Wedemeyer set a 1943 date for the invasion of continental Europe. He argued that the best time to go ashore in northern France or the Low Countries was when Hitler's armies were locked with the Russians at Stalingrad and the lower Volga River.

Marshall agreed with Wedemeyer's thinking. They were both partisans of what Wedemeyer called the main thrust. It had worked in World War I. For a time Franklin Roosevelt went along with the main thrust idea. But Wedemeyer shortly discovered that Winston Churchill, who thought first of all in terms of protecting the sea routes of the British Empire, had other ideas.

Churchill doubted that landing craft could be readied in time for a cross-English Channel invasion in 1943. We will never know whether he was right about this. But Churchill succeeded in converting Roosevelt to accepting

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1944 as the earliest practical date for invading Europe from the north. To keep allied troops "blooded," Churchill proposed the North African campaign. He remembered that the British of William Pitt's day had let Napoleon waste French energies at the two extremes of Russia and Spain. A North African campaign in 1943 would extend Hitler as Napoleon had been extended.

Wedemeyer on North Africa

The North African campaign contemplated seizing not only Algeria and Tunis, but also Sicily. Then there could be a thrust at Europe's "soft underbelly" up the Italian peninsula. Wedemeyer thought of this as "periphery pecking." He had made studies of port facilities in Dalmatia and southern France and knew that it would be a logistical nightmare to get armies past the Alps by any southern route.

So North Africa was for the most part a waste of time. But it did give General Patton scope for imaginative tank warfare, which paid off in 1945 when the Patton tank thrust reached Czechoslovakia only to be called back for political reasons that had been established at Yalta.

Given a year's time to recover from his defeat at Stalingrad, Hitler had enough forces ready in the west to slow up the Eisenhower-Montgomery push to the Elbe River. What happened was just as Wedemeyer had feared: Soviet troops had taken over in Poland, East Germany, Czechoslovakia, and Hungary before we could get there. Stalin, who was just as much of a dictator as Adolf Hitler, had won his war for eastern Europe.

This, to Wedemeyer, was the result of lack of foresight on the part of all Roosevelt's and Churchill's advisers. Harry Hopkins was a main culprit. Having lost his bet on 1943, Wedemeyer was no longer of much use to Marshall insofar as Europe was concerned. He found himself relegated to China as Vinegar Joe Stilwell's replacement. The "main thrust" in Asia seemed to call for defeating Japan and moving into Manchuria before the Russians could arm Mao Tse-tung. But even as it had happened in Europe, Wedemeyer's main thrust thinking was forestalled in Asia.

In a personal letter, Wedemeyer tells me that his papers "have been available in government archives and at the Hoover Institution for Chinese and American historians for many years, certainly in time for appropriate action to shape a policy against the spread of Communism in the Far East." But Truman let Wedemeyer's reports on the Far East go without any anti-Communist action. It is only now that the mainland Chinese, tired of the inability of Mao's policies to feed them, are turning to capitalist practices.

Wedemeyer has been justified by history, but only after the waste of lives, time, and treasure. He is now proposing the creation of a National Strategy Council to do something better than ad hoc thinking about foreign policy. His proposed council would have advisory functions only. Its members would be appointed by the President. Like Supreme Court justices, they would be provided with small professional staffs.

There are certainly enough good long-term thinkers now working for various think tanks to provide staff for a National Strategy Council. But obviously little will be done to get Wedemeyer's idea moving in an election year. There is little use talking about presidential appointments to a National Strategy Council until we know who the next President will be. □

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—Leonard E. Read

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